

SWEDEN
PLANS
FOR BETTER
HOUSING

By LEONARD SILK


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“BETTER FOR THE CHILDREN”

“Stockholm Plan” Cottages, Enskede, Stockholm

SWEDEN PLANS
FOR
BETTER HOUSING

By

LEONARD SILK



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BETTER HOUSING



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To

My Mother and Father

ERRATA

Page 37, Table 3: *for* Export Production *read* Domestic Production

37, Table 3: *for* Domestic Production *read* Export Production

114, : *for* $-(.007q_b m_{1b} + .02q_r)$ *read* $-(.007q_b m_{1b} + .02q_r)$

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LEONARD SILK

University of Maine
January 20, 1948

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SWEDEN PLANS
FOR
BETTER HOUSING

Introduction

SWEDEN has, within the past decade, attracted much attention in Western Europe and America for her original and forward-looking approaches to social and economic problems. As a result of some enthusiastic reports on this small Scandinavian nation, a widespread belief exists that, through the co-operative movement, Sweden has established a model economy, almost ideal for the twentieth century, which stands midway between capitalism and communism and possesses most of the advantages and few of the disadvantages of both systems. This viewpoint tends to allow the phrase "the middle way" to obscure the fact that, from an ideological standpoint, Sweden is scarcely less capitalistic than the United States.

Virtually all of Swedish industry—mining, the iron and steel industry, timber, wood pulp and paper, the metal and machinery industries, the electrotechnical industry, textiles, leather, and so forth—is privately owned and managed. Agriculture, fishing, and foreign shipping remain in private hands. Small businesses flourish both in manufacturing and in the retail trade. The nation has its famous industrial giants, such as Elektrolux, S.K.F., Swedish Match, Boliden, L. M. Ericsson, Separator, and Asea. Swedish industry, commerce, and shipping are closely linked with the "big four" of private Swedish banking—Skandinaviska Kreditaktiebolaget, Svenska Handelsbanken, Göteborgs Bank, and Stockholms Enskilda Bank. One must not forget that the nation famed for her co-operative movement was also once famous as the headquarters of the Kreuger banking and industrial empire.

But what of the co-operatives? They are largely limited

to retail trade, of which their share of the national total is about 12 per cent. Producers' co-operatives play an extremely limited role; co-operatives in housing are of considerable significance, as we shall see, though they are by no means the dominant form of housing enterprise. The existence of the co-operative movement in Sweden does not set its economy markedly apart from that of the United States. It must be remembered that in this country the role of the co-operatives has been constantly growing. A recent publication of the Bureau of Labor Statistics shows that retail co-operatives in the United States in 1946 did a business in excess of three fourths of a billion dollars, while farmers' marketing and purchasing co-operatives in 1944-45 did a business of over five and a half billion dollars. It should also be realized that in neither Sweden nor the United States does the presence of co-operatives signify socialism; co-operatives are simply a special type of large-scale business organization. With success, their conservatism, both political and economic, appears to increase. This has been true both in Sweden and the United States.

Government ownership of business is extremely limited in Sweden. As in many other European countries, ownership of the trunk railroads of Sweden has been in the hands of the government from the beginning. The Swedish government owns some forest lands and water-power developments. It owns and operates a single iron works in the Far North, at a loss—partly for defense, partly as an anti-unemployment measure. It operates the Swedish Shale Oil Company—also at a loss, and also, primarily, for reasons of national defense. Years ago, primarily for fiscal reasons, right-wing Swedish governments set up state monopolies in liquor and tobacco. That about completes the picture of Swedish governmental ownership of industry. Again, little difference exists in this respect between Sweden and the United States, with its TVA's, RFC's, and other government-owned corporations and property holdings.

No, Sweden is, by and large, a private-enterprise country.

I seek to emphasize this point not to debunk any other writer nor to shatter dreams of a Swedish Utopia, but to stress the relevance of Swedish experience to the American economy. Both Sweden and the United States have mixed economies, predominantly capitalist. Nevertheless, it is true that Sweden recently has had governments which have shown much imagination and boldness in conceiving economic policies aimed at the alleviation of certain social problems. In adopting such policies, Swedish governments have sought to avoid injury to private industry and foreign trade.

It should therefore be of interest for Americans to learn what the Swedes have been doing in the field of housing. For, like our own country, Sweden has had an acute housing problem, toward the solution of which she has initiated a complex program of state and communal loans and subsidies.

That the Swedish housing problem has been largely overlooked in this country may be due to the absence of many conspicuous slum areas in that country, and also to concentration of attention on modern Swedish architecture. Indeed, the most serious aspect of the Swedish housing situation has not been slums or shortages of dwelling-units, though both exist in some degree, but, as Alf Johansson, chief of the State Housing Loan Bureau puts it, "the question of overcrowding, particularly in the case of families with many children." In urban areas about half of all apartments in Sweden consist of, at most, one room and a kitchen.

Until 1943 the production of housing in Sweden was predominantly in the hands of speculative builders. Since that year the picture has been drastically altered by the Swedish government. Maintaining that, historically, building for profit had failed to provide the Swedish people with an adequate standard of housing from the standpoints of health, comfort, and beauty, the Swedish Social Democratic government has virtually nationalized the planning and financing of residential building, though it has not taken over the actual construction work or the ownership of the completed dwellings. Since 1944

over 90 per cent of all new residential building in Sweden has been partly financed by the government, through loans or subsidies.

The growth of a public utility concept in housing, such as Sweden evidences, should provoke serious thought in this country.

CHAPTER I

The Impact of Industrialism on Swedish Housing

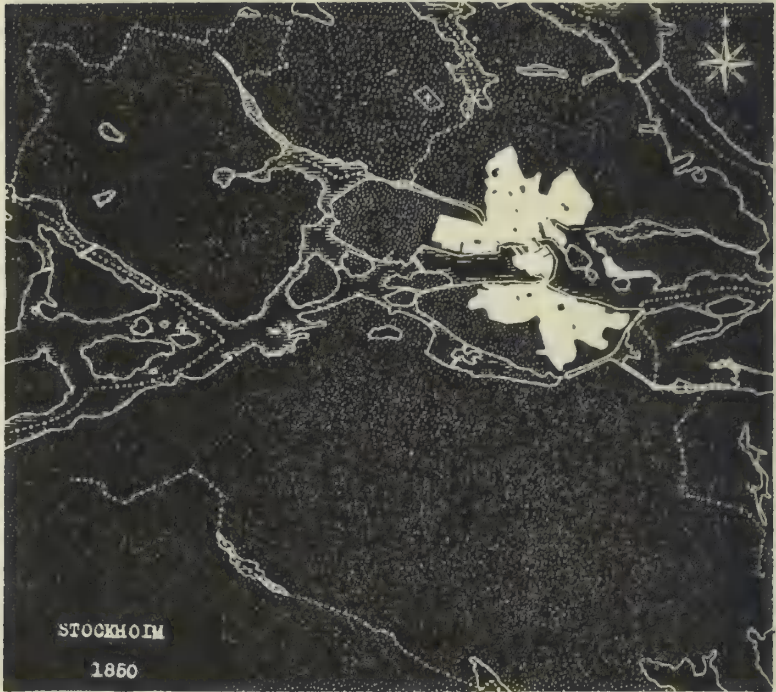
ON THE EVE of the Industrial Revolution, Sweden was poverty-ridden to a degree remarkable even in a period when working-class misery was commonplace throughout Europe. Her many years of foreign adventuring, which ended disastrously early in the nineteenth century, had left her bankrupt and backward. Sweden was a nation of peasants at that time—miserable peasants for the most part. On his visit to the country in 1799 the English clergyman-economist Malthus found “a considerable portion of the people . . . living upon bread made of the inner part of the fir, and of dried sorrel, absolutely without any mixture of meal to make it more palatable and nourishing.” Malthus, dourly noting their “sallow looks and melancholy countenances,” observed that, though many had already died, the full effects of such a diet “would probably appear afterwards in the form of some epidemic disease.”

Sweden's death rate was then unusually high—about twenty-five per thousand, or roughly three times as great as the present Swedish mortality rate. The filth and overcrowding of the lower classes in the Swedish towns were to a large degree responsible for this high death rate.

We know a good deal about housing in Sweden before the Industrial Revolution—because much of it is still standing and is still occupied. The accompanying photographs were taken in the “Old Town” of Stockholm, where some of the buildings date back to the fourteenth century. Such quarters have their own somber beauty; they preserve for us the tone and spirit of the medieval world—its mystery and its clannishness. Except for the modern signs of shops, nothing breaks the unity of

these walled streets. The atmosphere of this quarter of stone walls, cobbled streets, massive arches, ponderous doors is fortress-like. To Stockholmers the Old Town is not "quaint"; to them it seems to signify some more profound, brooding, melancholy quality in their national character. But such tonal or aesthetic, or perhaps merely romantic qualities discoverable in Sweden's medieval houses do not make them any the less chill, damp, and inconvenient to occupy. Today they are a colorful slum area.

The Industrial Revolution, which reached Sweden about the middle of the nineteenth century, created the modern "housing problem" by the impetus it gave to population growth and to urbanization. Despite great losses through overseas migration, stimulated by periodic famines on the land, the



MAP I
OCCUPIED AREA OF STOCKHOLM, 1850

MEDIEVAL STOCKHOLM

“The Old Town,” from the Town Hall tower on a night in May

American-Swedish News Exchange

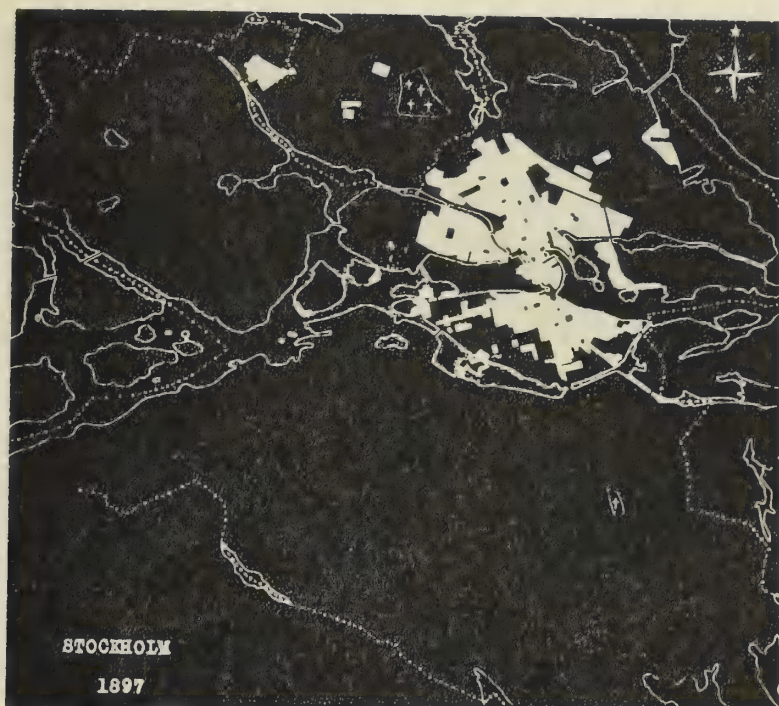




American Swedish News Exchange

MEDIEVAL HOUSING

Bedoirsgränd, "The Old Town," Stockholm

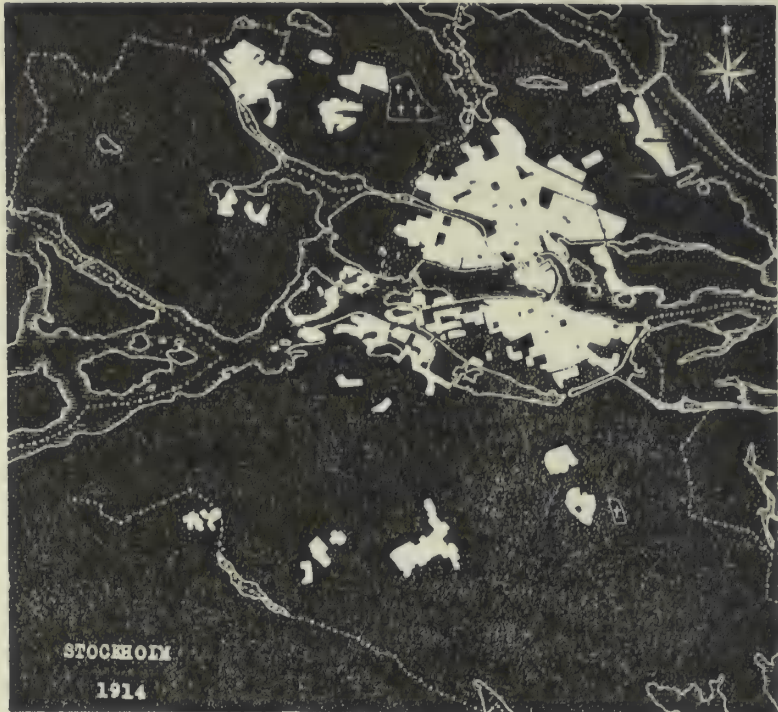


MAP II
OCCUPIED AREA OF STOCKHOLM, 1897

Swedish population increased steadily during the latter half of the nineteenth century. In 1860 Sweden had 3,824,000 inhabitants. The population reached 4,000,000 in 1864, exceeded 4,500,000 in 1878, and passed 5,000,000 in 1898. By 1913 the Swedish population had grown to 5,621,000.

While the total population of the country increased by 43 per cent from 1860 to 1913, the *urban* population increased by 241 per cent. This increased urban population pressure was borne almost entirely by old Swedish towns; the number of towns in Sweden increased by only six from 1800 to 1895, and by only five more from 1896 to 1910.

The fact that urban population growth was very largely limited to old cities and towns greatly worsened the Swedish housing situation, since the degree to which the old towns could expand was limited by local transportation facilities, which were



MAP III
OCCUPIED AREA OF STOCKHOLM, 1914

then primitive, and, in some cases, by terrain. Hence more and more people crowded in upon the old town sites. Such population pressure forced the towns to expand vertically, rather than horizontally. Tenement houses, introduced in Stockholm and Gothenburg in the 1870's, soon spread to other expanding communities. Urban land values were forced up and, with them, rents.¹

¹ The varying pressure of population on town space may be judged by the different levels of site costs and rents in different Swedish cities and towns. In 1913 site costs in Stockholm, Gothenburg, and Malmö, which had ranked first, second, and third in population growth following the Industrial Revolution, were 30, 13, and 10 kronor per square meter respectively. In the same year average rents for all dwelling units in various Swedish towns were as follows: Stockholm, 653; Gothenburg, 379; other larger towns, 267; smaller towns, 225; villages, 106 (*1912-14 General Housing Survey* [Stockholm: Royal Social Board, 1920], p. 289). In 1913 the Swedish krona was worth about 27 cents.

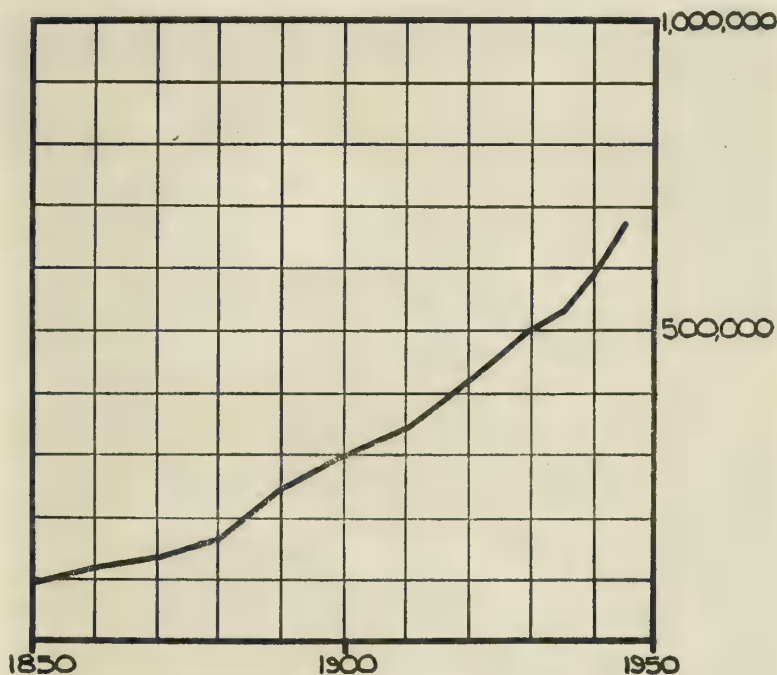
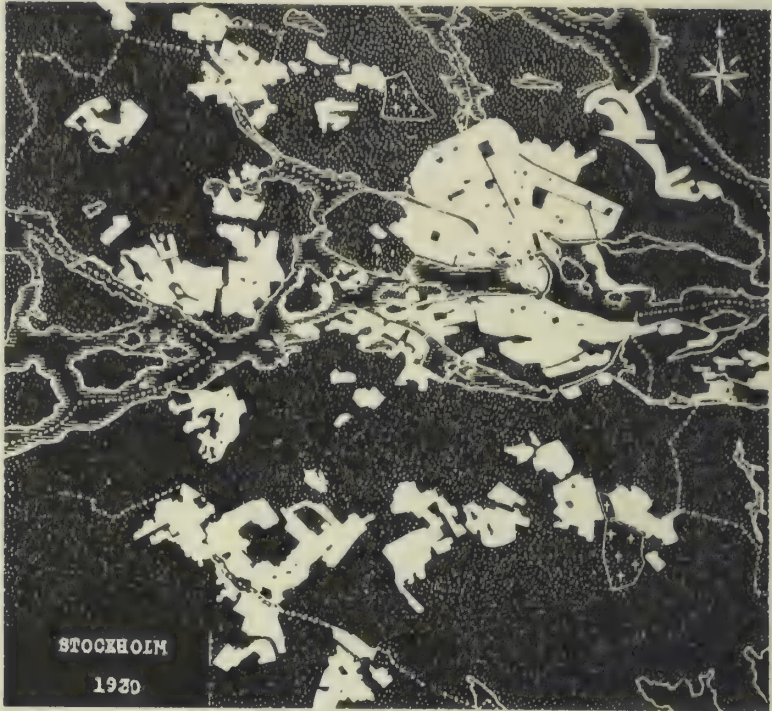


CHART I

POPULATION GROWTH OF STOCKHOLM CITY 1850-1945

The way Swedish urban population growth intensified the pressure on town space is well illustrated by the accompanying chart and maps of Stockholm, which show that, from 1850 to 1897, the area of the city increased by only about 30 per cent, while its population increased by about 300 per cent. The spatial expansion of Stockholm was inhibited both by the island-setting of the city and by the lack of modern means of transportation. Later, as the city's local transportation system was developed,² the expansion of the area of the city kept pace with

² Stockholm's street-car system was initiated in 1877, with the granting of a 40-year franchise to a private corporation, Stockholms Nya Spårvägs A.-B. (Stockholm's New Street-Car Line, Inc.), to operate two one-track lines in the northern part of the city, using horse-drawn wagons. In 1885 another 40-year franchise was granted to Stockholms Södra Spårvägs A.-B. to operate two lines on the southern part of the city, one horse-drawn and one steam-driven. In 1901 the Southside lines were electrified, and from 1903 to 1905 the Northside lines. In 1918 the two companies were merged as the Stockholms Spårvägar A.-B., owned almost exclusively by the City of Stockholm. The first bus line in the city was begun in 1923, when



MAP IV
OCCUPIED AREA OF STOCKHOLM, 1930

its population increase. But the later spatial expansion came too late to prevent the appearance of densely developed blocks of ugly, barracks-like tenement houses. These were the unique housing contributions of the nineteenth century: cells for the masses of new urban workers. Such quarters as those shown in our illustrations mark the coming of a new way of life to Sweden; the country had entered upon its phase of expanding capitalism, the heyday of the money culture. The motivation behind the construction of such dwellings is obvious enough: "Crowd them in, never mind how—employers need workers and profits, landlords need tenants and rents." The old medie-

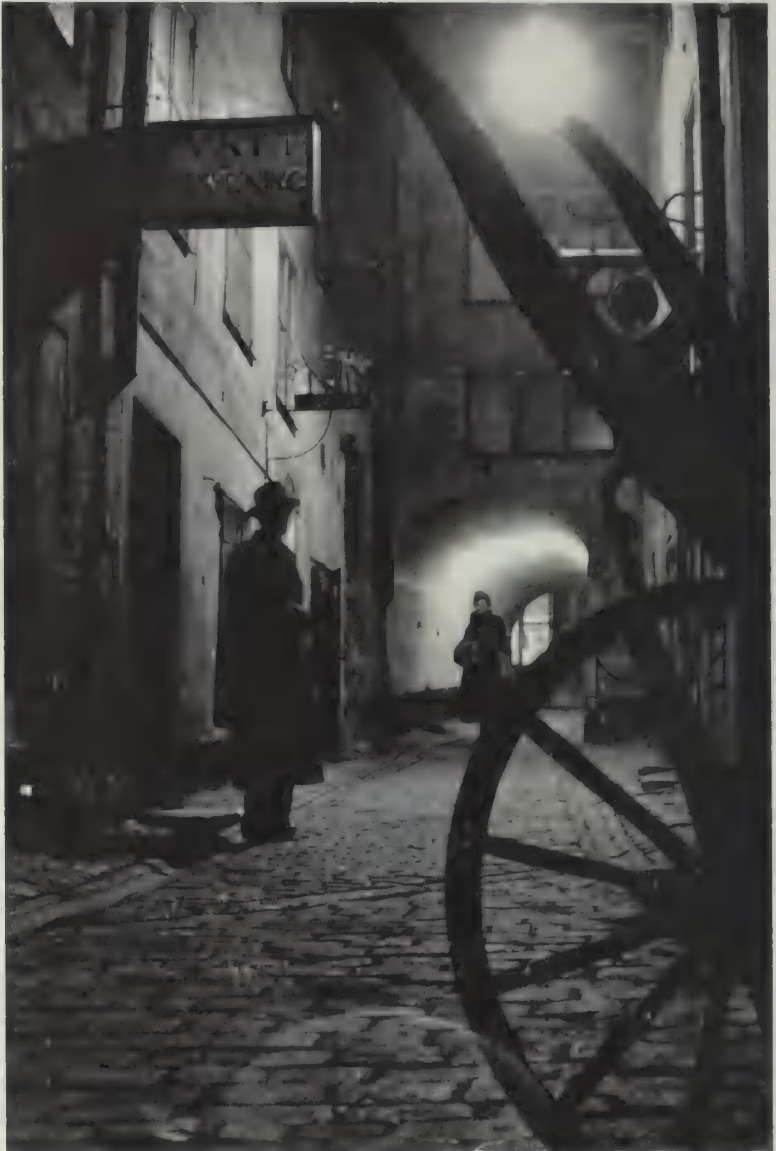
Stockholms Central Omnibus A.-B. began operations between Odenplan and Gustav Adolfs Torg (an old, well-developed part of the city). In 1925 this line, too, was taken over by the City of Stockholm (*Stockholm med omgivningar* [*Stockholm and Surroundings*], ed. Carl-Julius Anrick, et al. [Stockholm, 1935], pp. 142-43).



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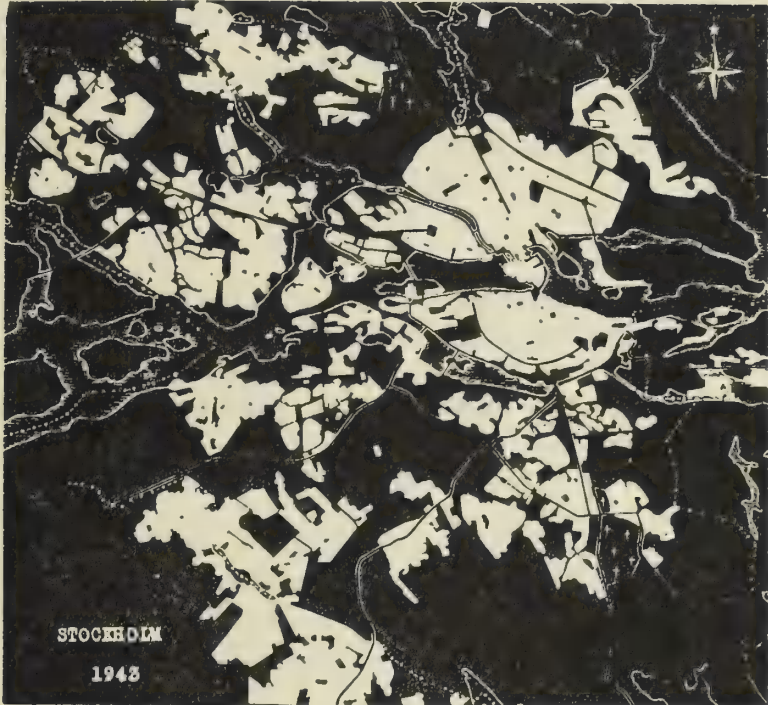
MEDIEVAL HOUSING

Down the Gåsgränd and out to the natural world—
"The Old Town," Stockholm



American Swedish News Exchange

MEDIEVAL HOUSING
"The Old Town," Stockholm



MAP V
OCCUPIED AREA OF STOCKHOLM, 1943

val sense of community disintegrated. The barracks were all more or less alike, but they had nothing to do with one another.

The tenement houses spread to all Swedish cities and towns. By 1910 over 40 per cent of the Swedish urban population was concentrated in the country's three largest towns, Stockholm, Gothenburg, and Malmö. In these larger towns, in 1913, 93.5 per cent of the population lived in multifamily buildings. Even in the smaller towns 89.1 per cent of the inhabitants occupied multifamily buildings. In Stockholm only 3.2 per cent of the population owned their own homes; in Gothenburg, 5.2 per cent; and in other large towns, 13.3 per cent. A new ring of ugly nineteenth- and early twentieth-century housing had been thrown up around the old town centers.

CHAPTER II

The Political Setting of Tenement-House Building

THE HOUSING situation in Sweden, from the Industrial Revolution to the first World War, was little affected by state or communal measures. The rise of industrialism in Sweden, as in other Western nations, was bound up with a *laissez faire* political and social philosophy which permeated the thinking not only of employers but, for a long time, of the working class as well.

During the nineteenth century most Swedish workers appear to have accepted passively the hardships of the times. After his observation of the Swedish people, Malthus remarked that the patience of the working class was "perfectly astonishing" and supposed that it arose from "their being left entirely to their own resources, and from the belief that they are submitting to the great law of necessity and not to the caprices of their rulers." Malthus noted, however, that, although the Swedes endured famine and poverty with "extraordinary resignation," when their government attempted to prohibit the distillation of spirits, "there were considerable commotions in the country."

Drunkenness was, as is well known, one of the most conspicuous Swedish social problems. Early collective action by the working class usually took the form of temperance movements. This concern over drunkenness, however, had a solid economic and political motivation. Love of the bottle undermined the economic security of the family and the community and rendered workers incapable of intelligent collective action.

During the last quarter of the nineteenth century, the Swedish trade union movement grew steadily. Its "uplift" philoso-

phy, which it had inherited from earlier religious and temperance movements, was altered by the influx of Lassallean socialist ideas from the Continent. As was the case in the American labor movement, the early socialist philosophy of the leaders of Swedish labor, even after their dreams of a revolution faded, left them with a "grounding both in idealism and class consciousness"¹ that saved them from defection to the employers.

Trade unions sprang up all over Sweden during the 1880's. Most progress was made in the crafts—building, printing, and other skilled trades. Workers in metal products and machinery trades were the next to be organized. In the 1890's organization was extended to transport, sawmill, leather, textile, brewery, and other semiskilled or unskilled workers.

Late in 1898 practically all the Swedish trade unions, with the exception of the strong Metal Workers Union, joined in a national federation of trade unions, the Landsorganisationen i Sverige—usually shortened to "L.O." Most L.O. leaders had also played a part in the formation, in 1889, of the new Social Democratic party, which stood for a social revolution, to be achieved through a general strike. The L.O. had many of its early difficulties over its relationship to the Social Democratic party. At the first national federation meeting the convention decided, by a two-to-one majority, that every member union "must, within three years after its admission to the federation, also affiliate itself with the Social Democratic party." But this decision did not sit well with many of the rank and file, or with the Metal Workers Union (which had attended the constituent assembly). On that issue the Metal Workers decided to stay out of the federation—although they did join in 1940. The second L.O. congress, of 1900, decided that affiliation with the Social Democratic party would no longer be obligatory upon unions, but that the federation "should work for" affiliation of member unions.

Membership of the L.O. grew rapidly. From 37,000 in

¹ Selig Perlman, *A History of Trade Unionism in the United States* (New York, 1922), p. 77.

1899 the federation grew to 186,000 in 1907, in which year it included more than three fourths of all Swedish trade union members. But with the onset of the depression of 1907, unrest in the labor movement mounted. Employers' associations, which had had a parallel growth with the trade union federation, were determined to break the growing power of the labor movement and to maintain the open shop. A series of strikes and lockouts in the summer of 1909 culminated in a general strike, in which about 150,000 L.O. members turned out and were joined by approximately an equal number of nonmembers. For three months virtually all Swedish manufacturing activity ceased. Yet, despite excellent discipline among the workers, the strike was lost. L.O. had suffered a blow from which it did not immediately recover. From 1909 to 1911 the federation's membership declined by about 100,000. Gradually, however, under the skilful leadership of Hjalmar Branting, the federation recouped its losses. Nevertheless, until well into the first World War years, the Swedish trade union movement remained in the doldrums.

The Social Democratic party, which had closely co-operated with the L.O. during the strike, also felt the effect of the stunning setback. But because of the adoption of universal male suffrage in 1909—previously the franchise had been limited by certain property or minimum-income qualifications—and to the acceptance of proportional representation within the Lower House of the Riksdag, the Social Democratic party won 64 seats in the election of 1911. The Liberals carried that election, with 101 seats, while the Conservatives won 65 seats.

Thus, because of the slow growth of the Swedish labor party, down to the outbreak of the first World War the determination of social policies, including housing policy, was always in the hands of the Liberals and the Conservatives. Both Liberals and Conservatives were, by and large, committed to *laissez faire* in economic matters. During the nineteenth century the only housing measures enacted by the government were certain safety and health regulations, which appear to have been woefully inadequate.



Stockholm City Museum

NINETEENTH-CENTURY RESPECTABILITY

Upplandsgatan, Stockholm



American Swedish News Exchange

ECONOMIC MAN BUILDS

Normalm, Stockholm

The need for improving rural housing received the attention of the Swedish government in 1904. Concerned over the great losses of population through overseas migration, the Riksdag established a so-called Home Ownership Loan Fund, under the Department of Agriculture, the purpose of which was to discourage emigration by stimulating home-ownership and thereby holding Swedes to their land. The government sought to do this by providing credit on favorable terms to farmers and peasants. From 1905 to 1913 the state granted 15,500 home-ownership loans, amounting to slightly more than 41,000,000 kronor in value.²

In 1909 the Riksdag appropriated 30,000,000 kronor³ for the establishment of the City Mortgage Bank, an institution whose function was to grant credit against first mortgages on urban real estate. Though established by the government, which thereafter maintained representatives on its board, the City Mortgage Bank functioned about like a private institution. Its loans were limited to 50 per cent of the value of the property. A recent report of the Government's Social Housing Commission has concluded that the early significance of the City Mortgage Bank lay primarily in the support it gave to the credit market for larger city properties.⁴

Local communities played a slight role in housing in Sweden before the first World War. During certain crises a few communities had adopted measures for accommodating persons without shelter, or had even constructed some emergency dwellings. Such measures, however, were sporadic, and always disappeared with the passing of the worst of the housing crises.

The co-operative housing movement began in Sweden as early as the 1880's. Its contribution to the supply of housing before the outbreak of the first World War, however, was negligible. Although over a hundred independent housing so-

² Approximately \$11,000,000 at then-existing exchange rates.

³ About \$8,000,000 at then-existing exchange rates.

⁴ *Statens offentliga utredningar (Public Investigations of the Government; hereinafter referred to as S. o. u.)* 1945:63, p. 25.

cities existed before 1913, each of them represented only an apartment house or two.

To summarize the political background of housing developments from the Industrial Revolution to the outbreak of the first World War: the working class, which was in the direst need of improved housing, was either too apathetic or too weak to get state action on housing and too immature to develop a strong housing program on a co-operative basis. The Liberal and Conservative parties, whose interests were identified with the middle and upper classes, had little interest in improving working-class housing. The housing activities of these parties were limited to the establishment of the Home Ownership Fund in 1904, an attempt to discourage emigration, and the founding of the City Mortgage Bank in 1909, to support the credit market. The contribution of local communities and of such housing co-operatives as existed was of little or no significance during this period. Thus, the speculative builders of tenement-houses were in a position to dominate the housing supply offered to the working-class. However, the need of social action to deal with the housing problem was winning recognition. In 1912 a special Housing Commission was set up as a division of the newly established Swedish Social Board for the purpose of studying the nation's housing problem and of proposing measures for the improvement of housing conditions among the lower-income groups. The first result of the new Housing Commission's activity was the General Housing Census of 1912-14.

CHAPTER III

The Consequences of Laissez Faire in Housing

THE LONGEST SERIES of figures showing residential building in Swedish cities and towns during the period from the Industrial Revolution to the first World War is that drawn from the County Governments' Quinquennial Reports.¹ The series follows:

TABLE I
SWEDISH URBAN RESIDENTIAL BUILDING, 1861-1910

Period	Number of New Houses Built
1861/65	1,722
1866/70	1,478
1871/75	1,876
1876/80	3,295
1881/85	3,235
1886/90	3,002
1891/95	2,867
1896/1900	4,083
1901/05	5,283
1906/10	4,878

This series is somewhat misleading, however, since number of rooms and dwelling-units in each house is not taken account of; as a matter of fact, with the increasingly general construction of tenement houses, the average number of rooms and dwelling-units per house was constantly growing after the 1870's. With the aid of other data,² we have estimated that

¹ Erik Lindahl *et al.*, *National Income of Sweden, 1861-1930* (London, 1937). Part II, Vol. III, in the series "Wages, Cost of Living, and National Income in Sweden, 1860-1930," by the staff of the Institute for Social Sciences, University of Stockholm.

² Additional data used included the statistics on residential building in Sweden, collected and prepared by the Labor Statistics Section of the Commerce Department from 1902 to 1911, and thereafter by the Swedish Social Board, and the statistics compiled by the City Administration of Stockholm, showing rooms built from 1880 to 1913. Our estimates are presented in Appendix A, Table 9.

the total number of rooms built in Swedish urban communities from 1860 to 1913 was between 660,000 and 700,000, and that the number of dwelling-units produced was between 325,000 and 350,000. During the same period the population living in urban areas increased by 1,070,000. The census figures on households—which are little more than a reflection of the number of dwelling-units available—indicate that the number of households increased by 325,000. Our figures therefore indicate that only two thirds of a room (including kitchens) was provided by speculative building activity for every additional person living in Swedish urban areas from 1860 to 1913.

The Housing Census of 1912-14 reveals that this amount of residential construction was insufficient to provide Sweden with a standard of housing markedly better than the standard which obtained at the onset of the Industrial Revolution.

The Census covered 122 cities and towns (including over 80 per cent of the urban population) and 108 rural communities (including about one tenth of the rural population). The Census found that over three fourths of the Swedish people were living in dwellings that ranged in size from a single room to two rooms and a kitchen.

The predominant type of dwelling consisted of one room and a kitchen. In Stockholm 17.2 per cent of the households occupied a single room; 30.4 per cent, one room and a kitchen; 23.9 per cent, two rooms and a kitchen; and 28.5 per cent, three rooms or more and a kitchen. In Gothenburg 10.3 per cent lived in a single room; 50.6 per cent in a single room and kitchen; 18.1 per cent in two rooms and kitchen; and 21 per cent in three rooms or more and kitchen. The picture was about the same in other Swedish urban communities.

Worst of all was the situation in rural industrial communities, where 23.6 per cent of all dwellings consisted of a single room, 55.3 per cent of a single room with kitchen, 13.4 per cent of two rooms with kitchen, and only 7.6 per cent of three rooms or more plus kitchen. Thus, in the rural industrial communities, 79 per cent of all dwellings consisted of no more than one room and a kitchen, and 92.4 per cent of no more than

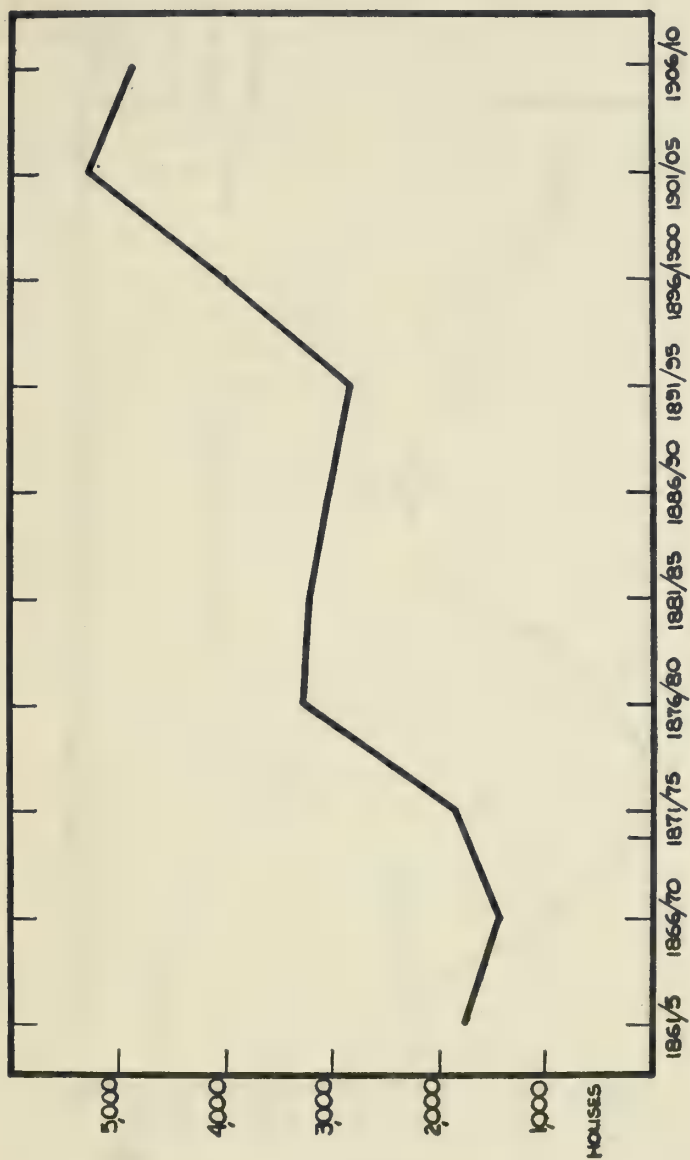


CHART II

RESIDENTIAL BUILDING IN ALL SWEDISH URBAN COMMUNITIES, 1860-1910
(Five-Year Increments)

Source: Table 1.

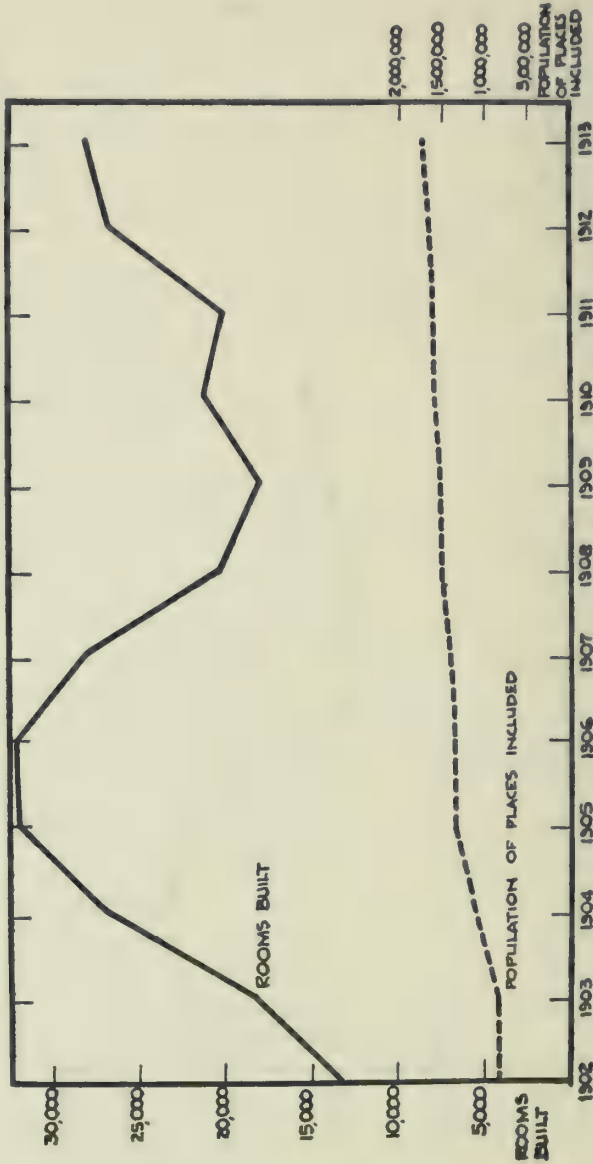


CHART III

URBAN HOUSING PRODUCTION, SWEDEN, 1902-1913

Source: Lindahl *et al.*, *op. cit.*, Part II, p. 340.

two rooms and a kitchen. In country villages 75.4 per cent of all dwellings covered had no more than two rooms and a kitchen; 40 per cent had only a single room and a kitchen.

The Census of 1912-14 produced some grim statistics on the number of persons occupying each of these small dwellings. Census findings were expressed in terms of the number of occupants per 100 rooms (with kitchens counted as rooms). Thus, a family of six persons occupying a two-room-and-kitchen flat would show up in the totals as having two persons per room. In Gothenburg there were 204 persons for every 100 rooms in dwellings consisting of one room plus kitchen, and 183 persons for every 100 rooms in dwellings consisting of two rooms plus kitchen. In Stockholm the equivalent figures were 181 and 161; in smaller towns, 182 and 157. Once again, the worst conditions were found to exist in the rural industrial towns, where 227 persons occupied every 100 rooms in one-room-plus-kitchen flats. In country villages the figures were 211 and 187 respectively.

In summary, the Census showed that well over half of all Swedish families were living in dwellings that consisted, at most, of one room and a kitchen. A later survey³ revealed that in dwellings of that size lived 40 per cent of all families with three or more children—and, in the working class, 50 per cent of all such families. Overcrowding was even worse in rural districts because the average household in country districts was larger than in the cities and towns.

But the raw statistics do not reveal the worst aspect of this overcrowding. The tradition of maintaining a "fine room," that is, a living room intended to enhance the prestige of the family, was often kept up even in these tiny one-room-and-kitchen flats. This "fine room" was generally not used for sleeping purposes. A 1935 survey showed that in 20 per cent of urban and 30 per cent of rural one-room-and-kitchen dwelling-units investigated, the kitchen was used to sleep in and the living room was empty during the night. This later survey

³ *Betänkande i sexualfrågan* (S.o.u. 1936:59; *Report on the Sex Question*), by the Swedish Population Commission (Stockholm, 1936).

showed that in 15 per cent of the dwellings investigated at least three persons slept in the kitchen while the other room was unoccupied, and that in the fourteen cities and towns covered, 17 per cent of those living in flats no larger than two rooms and a kitchen spent the night in a room or kitchen where four or more persons slept. Conditions in the rural districts were still worse; there 30 per cent of the population slept in overcrowded rooms or kitchens occupied by four or more persons during the night, while 63 per cent of the members of large rural families (those with three or more children) suffered from this high degree of overcrowding. The Population Commission added: "The ill effects of this crowding are augmented by the astonishingly bad ventilation. In 38 per cent of the lodgings investigated in the survey the windows could not be opened in the winter."⁴

Qualitative deficiencies were as serious a problem as overcrowding. The 1935 investigation revealed that in the fourteen cities and towns covered, two thirds of all lodgings of at most two rooms and a kitchen were without toilets. In Kristianstad, for example, one toilet was shared by seven or more families among those occupying 6 per cent of all small dwellings.

The rural picture was grave: 12 per cent of all rooms (in houses intended for winter occupancy) lacked heating arrangements; 13 per cent were at least 100 yards from the nearest source of water supply; 23 per cent had no ventilation space between the bottom floor and the ground; 9 per cent were noticeable for "a high degree" of dampness; 21 per cent had their ceilings less than seven feet above the floor; 15 per cent of the houses examined were classified as "badly dilapidated"; 32 per cent of all small dwellings were either dilapidated or had at least two of the "basic defects"—for example, were very damp and had the floor directly off the ground; 37 per cent of the small dwellings occupied by large families belonged to these worst categories.

⁴*Ibid.*, p. 71.

SMALL-TOWN SLUM

Uppsala

Axel Sagerlohn





State Housing Loan Bureau

THE NINETEENTH CENTURY

Brick House in Skövde

In urban areas, in 1935, 12 per cent of the small apartments in the fourteen cities studied had at least three basic defects; 20 per cent of the large families lived in such dwellings.

If that was the situation in 1935, one can be certain it was an improvement over the state of Swedish housing in 1913.

The condition of her housing presented Sweden with an extremely serious health problem. Investigations confirmed what one would have expected: that diphtheria, scarlet fever, infantile paralysis, whooping cough, and other infectious diseases were most prevalent among Swedish families occupying overcrowded dwellings. A high relationship between tuberculosis and poor housing was proved.⁵

The problem of psychic health was found to be no less serious. The Swedish Population Commission observed:

The most experienced psychiatrists, criminologists, teachers, and social workers agree that poor and, above all, overcrowded homes have a fatal influence on the development of the psychic balance and behavior of young people. With our incomplete knowledge of causal connection in the fields of social morality and mental hygiene, it is impossible to state exactly the part which bad housing plays. Nevertheless, it has been proved that this contributes materially to undermining the psychic well-being and efficiency of the individual, furthering fatigue and irritability, destroying conditions necessary for a sound and harmonious family home life and diminishing the effectiveness of education. It contributes directly to asocial habits and tendencies. All these injurious effects have an especially destructive influence on children and, above all, on adolescents. For them, cramped housing can clearly produce psychic and moral ruin.

Crowded quarters are said to lead to sexual precocity. In families with numerous children, the sharing of a common bedroom by children of opposite sexes who have passed the age of puberty is extremely common and particularly dangerous. Often, it leads to premature sexual experience and to direct acts of psychologically brutal type. These are frequently shocking to children; not rarely they are incestuous. This kind of sexual behavior easily becomes a pattern for conduct. It represses the growth of the

⁵ S. o. u. 1935:2.

desire and capacity for psychic completion and individualization in love. Combined with a wretched home and a narrow life, it encourages too early intercourse and that upon insufficient emotional grounds.⁶

The real cost to a nation of poor and overcrowded housing, then, should be measured in terms of disease, mortality rates, and the failure of individuals to achieve a full and fruitful emotional and intellectual development.

* *Report on the Sex Question*, pp. 122-123.

CHAPTER IV

A War-Bred Housing Problem

THE YEARS during and immediately following the first World War were marked by an unprecedented degree of intervention by the Swedish government in housing, through rent controls and building subsidies. This swing away from laissez faire resulted from the conjuncture of an acute housing shortage and the emergence of the Left as an important political force in Sweden.

Just before the outbreak of war, a Liberal government had been in power. As the threat of war increased, King Gustav V wanted his government to adopt a strong national defense program; this the Liberals, with the support of the Social Democrats, were reluctant to do. At length the Conservatives, who favored a strong preparedness program, called on the King to make a public declaration on the issue. Gustav responded by sternly rebuking the opponents of national preparedness. The Liberal government then resigned, and was succeeded, on February 16, 1914, by a Conservative government, which promised to defend the King's policies against the Left and Liberal opposition. When the new Riksdag assembled, the Conservative government presented its defense program, which ran into powerful opposition until, on the actual outbreak of war between the Great Powers, the Liberals swung away from their former position and, in the main, accepted the Conservative line. The Social Democrats voted against the majority, together with some of the Liberals.

During the war the government's policy of neutrality won the support of all political parties, although the sympathies of the Right were in general with Germany, and those of the Left with the Allies. Only a relatively small group of Right-

ists in the Riksdag, however, were actually working for Swedish intervention on Germany's side.

Through 1915 and 1916 the Conservatives did not encounter serious opposition to their policies, but early in 1917 the Conservatives were attacked by the Left for their failure to deal adequately with the social and economic hardships of the war years, for their highhandedness in bypassing the rights of the Riksdag, and for their alleged sympathies toward Germany (the Foreign Minister, K. A. Wallenberg, of the great Swedish banking family, was a special target of the Left opposition). By the spring of 1917 the clash between Left and Right had reached the crisis stage. A timely shake-up in the Conservative government, in which Wallenberg was relieved of his portfolio and Hammarskjöld, the Prime Minister, was replaced by Swartz, a moderate Conservative, induced the Left to hold its fire. Among other concessions to the Left was the adoption of a program of rent controls and housing loans and subsidies.

In the campaign before the autumnal elections of 1917 the Social Democrats and the Liberals accused the Conservatives of being responsible for the nation's food and housing shortages, price inflation, and other wartime difficulties; they revived the charge of pro-Germanism against the Conservatives; and both Social Democrats and Liberals came out strongly for parliamentary reform and for woman suffrage.

The Social Democrats, in the September, 1917, election, won 86 seats in the Lower House—against 62 for the Liberals, 59 for the Conservatives, 10 for the Farmers' Union, and 11 for the Radical Socialists. Since no party had a majority, the King proposed that a Liberal, Professor Nils Edén, form a coalition government with the Social Democrats. To this proposal the Social Democrats assented, and a new cabinet was formed, consisting of seven Liberals and four Social Democrats. Hjalmar Branting, leader of the Social Democrats, became Minister of Finance, but was forced to resign after several months because of ill health.

The Liberal-Social Democratic government instituted a

series of parliamentary reforms from 1918 to 1921, including democratization of the Upper House of the Riksdag, abolition of the former restriction of the right to vote to those who paid taxes, extension of the franchise to women, and lowering of the voting age to 23 years. As a result the size of the Swedish electorate was trebled. In 1919 the Conservatives, for the first time, failed to hold a majority in the Upper House.

Following the election of 1919 the Edén government had a majority in both houses. But the Liberal-Social Democratic coalition split on the issues of communal tax reform and application for membership in the League of Nations, both of which the Liberals opposed. When a proposal to join the League was carried in March, 1920, Edén left the Prime Ministership and Branting formed an entirely Social Democratic cabinet. The new Social Democratic government took Sweden into the League, but could not get support for its program of communal tax reform. The Social Democrats pushed several investigations into the possibility of establishing socialism in Sweden. As a result, the issue of socialism played a dominant role in the election campaign of September, 1920. In that election the Social Democratic government fell, since they were unable to secure a majority and the Liberals now refused their invitation to form a coalition government. Since no party could command sufficient strength to form a government, a "working cabinet" was set up, while everyone awaited the next autumnal elections, when the new elective reforms would go into effect.

The Social Democrats won a plurality in the 1921 election; Branting formed his second cabinet as a minority, rather than a coalition, government. Since the end of the war the series of Liberal-Social Democratic coalition and entirely Social Democratic governments had continued the housing program of rent controls and building subsidies. In 1922 subsidies for residential building were dropped, but rent controls were continued.

The issue of the 1923 campaign was state help for the unemployed, which the Social Democrats favored. The Liberals supported the Social Democratic unemployment program in

the Lower House, where the Social Democrats were thus able to secure a majority. But in the Upper House the Conservatives overthrew the Social Democrats. Branting went out of office again, and the Conservative Trygger became Prime Minister. He set up an entirely Conservative government in April, 1923. The new Conservative government allowed rent controls to expire in October, 1923. Sweden had again returned to a housing policy approximating *laissez faire*. But the attempt of the government to intervene in a housing crisis had yielded some interesting results.

Let us now review the facts of that housing crisis. The factors, on the supply side, which brought about the Swedish housing shortage during the first World War were as follows:

First, the costs of building were inflated. Sweden, though neutral, was subject to the shortages, heavy governmental expenditures for defense, and other inflationary forces that characterize nations actually involved in a war. The building-cost index (including materials and wages) rose by 70 per cent from 1914 to 1917; in 1919 the building-cost index was 195 per cent above its 1914 level, and during the postwar inflation of 1920 it reached a level 225 per cent higher than it had been in the first year of the war.¹

Second, the long-term rate of interest rose from an average of 4.58 per cent in 1914 to 4.85 and 4.76 per cent in 1915 and 1916. It declined to 4.55 per cent in 1917, but rose again to 4.97 per cent in 1918 and continued upward to 5.47 per cent in 1920.

Third, the level of rents rose relatively less than the costs of building. This was at first due to the "stickiness" of rents in comparison with other prices,² and later to the adoption of

¹ Data in this chapter will be found in Appendix A, Table 2.

² The "stickiness" of rents, i.e., the slowness with which the level of rents changes in relation to changes in the prices of other goods, is mainly due to two factors in Sweden: first, the widespread use of leases, covering periods of a year or more and, second, the fact that the annual production of dwellings amounts to perhaps 3 per cent of the total housing supply, which means that rises in the prices of building materials or wages would not, in the short run, necessitate equivalent rental increases for the greater part of the total housing supply.

rent controls by the government. The Swedish system of rent control during the first World War allowed certain "legitimate" rises in rent each year from 1917 to 1923, and exempted new dwellings from rent controls. From an index value of 100 in 1914, rents rose to 112 in 1917, and by 1920 had reached 155. Legitimate and actual rent increases from the year 1916/17 to 1922/23 were as follows:

TABLE 2
LEGITIMATE AND ACTUAL RENT INCREASES, 1916-1923
(in percent of 1914/15 rent level)

Year	1/10 to 30/9:	1916/17	1917/18	1918/19	1919/20	1920/21	1921/22	1922/23
Legitimate rise:	—	10	15	25	50	50	50	50
Actual rise:	10	14	24	37	60	65	66	

The combination of greatly increased building costs, a relatively slow increase in rents, and a rise in the rate of interest sharply reduced the profitability of residential building. This was reflected by the stagnation of speculative residential construction during the years of war and inflation. From a level of about 5,000 dwelling-units constructed by speculative builders in 1914, production declined each year during the war and postwar inflation, so that in 1918 only 1,186; in 1919, 974; and in 1920, 990 dwellings were built for profit.

Simultaneously with this stagnation of residential building, there took place a marked increase in the demand for urban housing. One reason was that the war stimulated the trend toward urbanization; the population of Swedish cities and towns increased by 317,337 from 1914 to 1922. During the same period only 164,458 rooms were built in urban areas—almost half of them with the help of government subsidies. In addition, the effective demand for housing was greatly increased by the sharp rise in money incomes, which more than doubled from 1914 to 1918, and had tripled by 1920, while the level of rents rose relatively slowly.

Thus, the slump in residential building, combined with the great rise in the effective demand for housing, resulted in an acute housing shortage, the seriousness of which is indicated

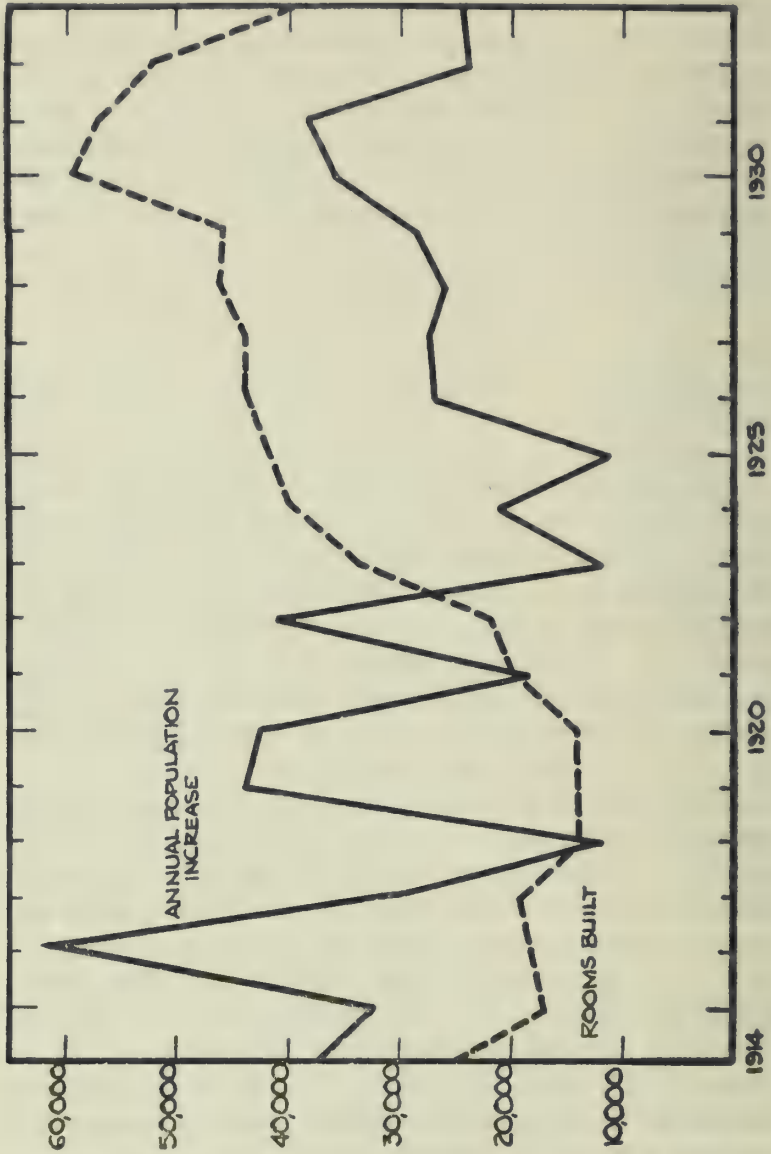


CHART IV

URBAN RESIDENTIAL BUILDING AND ANNUAL URBAN POPULATION INCREASE
1914-1933

Source: Tables 3 and 4, and *Statistisk årsbok för Sverige*.

by changes in the size of the urban housing reserve. The housing reserve represents the percentage of the total available housing supply which is vacant and suitable for occupancy. In 1914, 1915, and 1916, which were still rather "normal" years with regard to housing, the reserve was above 3 per cent of the total housing supply. In 1917 the housing reserve shrank to 0.69 per cent, and in the succeeding six years the reserve stood at 0.18, 0.11, 0.09, 0.07, 0.12, and 0.13 per cent, respectively.

To cope with this housing shortage, the government, under the same legislation by which rent controls were put into force on May 25, 1917, prohibited the tearing down of houses, the combining of apartments, and the use of housing property for other than dwelling purposes, and provided for the establishment of local apartment exchanges.

The government attempted to increase the supply of housing through a subsidy program. The subsidies, which were intended primarily for the construction of apartment houses in urban areas, usually covered about one third of the building costs. Of this amount, the government provided two thirds and the local community one third; in other words, the state contributed two ninths and the local community one ninth of the total building costs. The granting of such subsidies was made conditional upon acceptance by the building society of certain state and local controls, rental regulations, and limitations on profits. The community's share of the subsidy did not necessarily have to be an outright grant without expectation of repayment; the local authorities could issue loans, free of interest or amortization charges for at least ten years, or could make their contribution in the form of land, building materials, etc.

The state and local subsidies were insufficient to maintain residential building at the desired level. The continued rise of building costs made the subsidy program increasingly expensive, without improvement in its results. A state appropriation of 4,000,000 kronor in 1917³ for subsidies resulted in the production of 2,862 dwelling-units, more than did an appropriation of

³ In 1917 the Swedish krona was worth 27 cents.

17,000,000 kronor in 1921⁴ when 2,481 subsidized dwelling units were built. Following the deflation of 1921, after which conditions were again considered favorable for speculative building activity, the state subsidy program was dropped.

After the war the question was raised in Sweden as to whether the government's rent control program had not itself been largely responsible for the housing shortage, since the government, by holding down rents while incomes and other prices were rising, made it possible for many persons to increase their demand for dwelling space, helped frustrate private building activity by reducing its profitability, and contributed to the irrational distribution of the available housing supply.

There appear to be three principal flaws in this argument: First, overestimation of the elasticity of the demand for housing. Even though their rents are increased, many families will be unwilling or unable to take in roomers or to find a new, smaller dwelling. Under the extremely cramped conditions of Swedish housing (since, as we have shown above, well over half of all Swedish families were living in one-room-plus kitchen flats), the demand for housing, especially among the working class, was surely most inelastic.

Second, a glossing over of the "stickiness" of rents, in relation to other prices, even without government rent controls. The slow rise in the Swedish rental level (there was but a 12 per cent increase in rents from 1914 to 1917, while rents were still uncontrolled) helped to bring about the housing shortage. Residential building slumped in 1914; the housing shortage became acute in 1917. Furthermore, after rent controls were lifted in 1923, the housing shortage, measured by changes in the housing reserve, persisted until 1932, as will be shown. In any case, however, the Swedish government's rent controls during and after the first World War were quite loose, with sanction given to sizable annual increases, and with no rent controls imposed on new building, except those receiving state and local subsidies.

Third, ignoring the expectations of investors in housing.

⁴ In 1921 the krona was worth 22.5 cents.

Under the inflated building-cost levels of the war period, relatively few investors would be willing to sink their money into long-run rental properties, because the likelihood of a postwar deflation of building costs, interest rates, and rents threatened investors with severe future losses or bankruptcy.

It is our view that allowing rents to rise freely would, without noticeable effect on the housing shortage, simply have increased the cost of living of families already hard pressed and would have added to the wartime inflationary pressure.

As it was, inflation largely negated the Swedish government's housing subsidy program during the first World War. The government would have insured the effectiveness of its subsidies had it controlled the prices of building materials, consumers' goods, and wages, and had it employed an effective system of rationing and allocation of materials. But under the circumstances that existed, it is likely that the government's housing subsidy program was itself an inflationary force, since the subsidies were necessary to bid high-priced labor and materials away from other uses.

CHAPTER V

Dominance of Private Initiative, 1924-1933

FROM THE REPEAL of rent controls in 1923 until the depression year, 1933, the Swedish government did little to aid or hamper the functioning of the housing market. The nation was headed by a number of coalition governments, sometimes led by Social Democrats, sometimes by Liberals and Conservatives. At no time did the Social Democrats (who were now the largest single party) obtain a majority of seats in the Lower House of the Riksdag. In the 1924, 1928, and 1932 elections the Social Democrats held 104, 90, and 104 seats, respectively, out of a total of 230.

The main reason, however, for the dominance of private initiative in housing was doubtless the fact that as a result of the high profitability of investment in housing, speculative residential building was booming during most of this period. Following the price deflation of 1921-23, construction costs dropped from an index value of 325 (1914=100) in 1920 to 210 in 1923; at the same time, rents continued to rise.¹

Through the remainder of the 1920's the prospects for speculative investment in residential building became increasingly favorable. Rents increased from a level of 180 in 1924 to 209 in 1930; building costs declined from 216 in 1924 to 208 in 1930; and long-term interest rates were stable at about 5.5 per cent until 1929, declining to 5.2 per cent in 1930. In addition, the effective demand for housing was increasing. National income in kronor of constant value increased from 2.78 billions in 1924 to 3.48 billions in 1930; business activity was at a high level, as indicated by the fact that the business cycle index rose from 96 in 1924 to 150 in 1930. The slump in residential building during the war had considerably increased the need of families for dwellings.

¹ Data in this section will be found in Appendix A, Table 3.

The world depression reached Sweden late in 1930. Her export industries were most seriously affected, as is shown in the following table:

TABLE 3
SWEDISH INDUSTRIAL PRODUCTION, 1929-1932²

Year	Export Production	Domestic Production
1929	100	100
1930	97	97
1931	89	78
1932	87	66

Residential building activity was quite resistant to the depression in Sweden, since the factors determining the profitability of building investment were still favorable. Building costs decreased from a level of 208 in 1930 to 192 in 1933; long-term interest rates declined from 5.2 per cent in 1930 to 4.7 per cent in 1933; while rents declined relatively little—from 209 in 1930 to 203 in 1933. At the same time effective demand held up fairly well, as the depression in Sweden was not so acute as in many other countries.

Action by the state in housing from 1924 to 1933 was limited to the granting of building loans. The City Mortgage Bank, founded in 1909, continued to make first-mortgage loans. The State Building Bureau, established in 1920, was replaced in 1930 by the State Housing Loan Bank, which consisted of a central bond-issuing office, provided with a basic fund of 30,000,000 kronor, together with local loan-issuing societies affiliated with the central office. This new bank issued second-mortgage loans up to 75 per cent of the property value, in the case of large urban properties, or first-mortgage loans up to 50 or 60 per cent of the property value, in the case of smaller properties. The loans were always redeemable over periods of 20 to 40 years. The interest charges were equal to the selling price of the Bank's bonds, plus certain contributions to administrative expenses and reserve funds. The participation of the state in the Bank was limited; the Bank was managed by a delegate body representing the borrowers. The state did re-

² Arthur Montgomery, *How Sweden Overcame the Depression, 1930-1933* (Stockholm, 1938), p. 33.

tain certain supervisory rights, however, and could appoint a representative of its own to the central and local boards. Of all dwelling-units constructed in urban areas from 1924 to 1933, about 15 per cent were partly financed through state loans.

The State Home Ownership Loan Fund, established in 1904, continued to lend money for rural building and repair work. From 1924 to 1933 the State Home Ownership Loan Fund granted a total of 18,947 loans totaling 95,045,735 kronor in value, or an average of about 5,000 kronor per loan.³ Since statistics on total rural building and repair work do not exist, it is not possible to say what proportion of rural construction was financed through state loans.

Some local communities played a role in housing developments in Sweden during these years, through the purchase of land on the outskirts of cities, to be made available to private purchasers as the cities expanded. This policy had the dual objective of controlling real estate speculation and safeguarding rational city planning. By 1933 Stockholm, for example, had acquired about 20,000 acres in the suburbs to be let out on sixty-year leases, after which time the lease might be renewed if the city did not require the land. But some municipalities that started out to control speculation by purchasing land on the outskirts of towns ended by indulging in speculative activity themselves.

Stockholm also sought to aid building in the suburbs by the adoption in 1926 of a scheme for the municipal promotion of small single-family dwellings, which the future owner-occupants helped to build.⁴ By 1933 over 1,500 small cottages had been built in Stockholm with the aid of municipal mortgage loans. The City of Stockholm was authorized to grant mortgage loans up to 90 per cent of the value of the cottages; on the average, however, the mortgage loans actually covered only 75 per cent of the property value. The cottages were *not* subsidized.

³ During most of the period 1924-1932 the krona was valued at about 26.7 cents; in 1933 the exchange rate fell to 22 cents.

⁴ See Appendix B for a more detailed and illustrated account of this Stockholm plan for small cottage building.

Housing co-operatives had a considerable share in urban residential building from 1924 to 1933, during which period the co-operatives built 17,300 dwelling-units, or about 10 per cent of all units built in urban areas. It should be remembered, however, that these co-operatives were private institutions, neither subsidized nor controlled by state or local governments.

Although after 1923 rents were uncontrolled and a high level of residential building activity was going on in Swedish cities and towns, the housing shortage continued until the depression, as is shown by the following table:

TABLE 4
PERCENTAGE OF VACANCIES IN STOCKHOLM, 1923-1933⁵

Year:	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Percent vacant:	0.13	0.21	0.21	0.54	0.76	0.97	0.91	0.97	1.42	1.98	3.14

The obvious conclusion is that it required a depression to "end" the housing shortage. A fall in incomes brought about the reduced consumption of dwelling space which "rationing through rents" in a free market had been unable to effect.

The building boom of the 1920's was insufficient to improve substantially the housing conditions of the great majority of the Swedish people. In 1933 the distribution of dwelling-units by number of rooms was as follows:

TABLE 5
SIZE OF DWELLING-UNITS, 1933⁶

Localities	Cumulative Percentage of Total		
	Single-room and Kitchen	1 Room and Kitchen	2 Rooms and Kitchen
Stockholm	16.5	53.4	76.9
Gothenburg	8.3	58.8	80.9
Malmö	8.5	47.2	76.8
Suburban localities	10.0	48.9	77.3
Other localities of			
10- to 100,000	12.7	51.1	77.8
Localities of 5- to 10,000	9.2	42.8	74.1
Localities under 5,000	9.3	40.1	70.8
Rural communities	11.9	57.8	85.0

⁵ *Statistisk årsbok för Stockholms stad (Statistical Yearbook for Stockholm)*, 1941, p. 111.

⁶ *Allmänna bostadsräkningen år 1933 (General Housing Survey of 1933)* (Stockholm, 1936), p. 59.

It is evident that there had been no significant increase in the size of Swedish dwelling-units over that revealed by the 1912-14 Housing Census, at which time the percentage of dwelling-units consisting of two rooms plus a kitchen, or less, had been as follows: Stockholm, 71.5 per cent; Gothenburg, 79 per cent; other large towns, 77.9 per cent; smaller towns, 75.5; municipalities and market towns, 79.9; and rural communities, 75.4.

The 1933 investigation showed that 11 per cent of all Swedish dwellings had two or more persons living in a single room (counting kitchens as rooms) as compared with 23 per cent in 1912-14. As the investigating committee pointed out, however, this was due to the diminution of the size of household units as a consequence of the decline in the birth rate rather than to any general improvement in space provisions. The committee observed:

The smaller the apartments, the more defects they seem to have. It is noteworthy that apartments occupied by families with more than two children under twelve years of age seem to be, in general, more defective than the others. In accordance with the frequency of certain housing defects, dwelling-units were grouped into six classes, of which the lowest classification (apartments with at least three defects, such as dampness, draftiness, difficulty in heating) constituted 12 per cent of the apartments covered. Of households with more than two children under twelve, approximately 20 per cent lived in such lowest-class apartments.⁷

In 1933, then, Sweden still had a low standard of housing, with a great proportion of dwellings overcrowded and unhealthfully constructed and equipped. In most respects the situation appeared to be little better than it had been in 1913, although a decline in the birth rate had somewhat reduced the amount of overcrowding in Sweden's thousands upon thousands of one- and two-room flats.

⁷ *Ibid.*, p. 11.

CHAPTER VI

State Housing Policies from the Depression to the Second World War

AS A RESULT of the 1932 election in Sweden, in which the unemployment problem was a leading issue, the Social Democrats formed a minority government. Included in their emergency public works program were provisions for increasing residential building. The government intended to bring about an expansion of the building industry, which, with the iron and steel industry, was regarded as most important from the standpoint of employment, not only through direct employment in building but also indirectly through employment in related industries such as cement factories, lime works, brick works, glass factories, iron works, wood-working factories, plumbing-supply works, heating-supply factories, furniture factories, etc. "To stimulate the building industry," Gustav Möller, the Minister of Social Affairs, contended, "is to stimulate all economic activity."

Dr. Alf Johansson, head of the State Housing Loan Bureau, stressed the advantages of residential construction in an anti-cyclical program:

Few works are more suited to counteract a depression than are building construction projects. They can be commenced relatively quickly, they can be spread over the whole country, they can employ a relatively large amount of labor, they can preponderantly utilize material domestically produced, and they can thus indirectly bring about production within the country. It lies in the nature of the trade cycle mechanism that economic expansion is in high degree bound up with the scope of capital production, and especially such durable constructional work as building activity represents. . . . House building, which represents between one-third and one-half of

all real investment, has with justice been described as a key industry with respect to economic conditions.¹

The Swedish government's residential building program gave its primary emphasis to rural housing. For the budget years 1933/34 to 1939/40, the Riksdag appropriated 63,750,000 kronor,² about three fourths in the form of subsidies and one fourth in the form of loans, for the construction of rural dwellings to replace substandard houses and for the improvement and repair of dwellings. The borrower could receive both a grant and a loan. The determination of the form of state aid was based on the need of the borrower. Grants were limited to 1,000 kronor per dwelling; in general they could not exceed 50 per cent of the estimated costs, but in cases of special need could amount to 80 per cent of the costs. Loans could amount to as much as 3,000 kronor, or a maximum of 70 per cent of the total cost.

The government also established a Workers' Subsistence Homesteads Fund in 1933, to assist workers engaged in lumbering, agriculture, fishing, road-building, and other seasonal occupations to obtain a dwelling and a little land. The intention was to enable these workers to improve their conditions of life, when unemployed, by supplementing their income through small farming. For this purpose the state granted funds to local communal authorities, who were responsible for passing them on to the workers in the form of loans at favorable terms. The local authorities were to assist the workers in procuring suitable land, in building their dwellings, and in cultivating the soil. Maximum loan limits of 6,000 kronor were established. In 1938, because building costs had risen, the maximum was raised to 7,000 kronor. For the first five years the loans were interest-free and required no amortization payments; thereafter, two thirds of the capital sum was to be repaid in thirty annual instalments. The loans bore

¹ Alf Johansson, "Social Housing Policy in Sweden," *Annals of the American Academy of Political and Social Science*, CXCVII (*Social Problems and Policies in Sweden*), 164-165.

² In 1934 the krona was valued at 26 cents. From 1935 to 1938 it was worth about 25.5 cents, and in 1939 and 1940 about 24 cents.

TOWN PLANNING

Single- and multi-family dwellings, with community playground, Stora Essingen, Stockholm

American Swedish News Exchange





State Housing Loan Bureau

HOUSING CO-OPERATIVES

HSB houses on Reimersholm, Stockholm

no interest for thirty-five years, after which only the unredeemed balance of the capital was to be charged interest at a low rate. Until the sixth year of the loan the local authorities had to guarantee the entire amount of the loan; afterward the local authorities were responsible for only one fourth of any possible losses. The local authorities could obtain state advances at favorable terms for the purchase and development of land suitable for workers' homesteads.

To aid urban housing, the government provided credit at favorable terms for the construction of dwellings by private builders. The government granted loans up to a maximum of 90 per cent of the property value (including the credit the borrower could obtain in the open market); however, the government loan was limited to one fifth of the credit which the borrower could obtain on good terms in the open market.

The Riksdag appropriated 23,000,000 kronor for housing in its 1933/34 budget—18,000,000 for rural and 5,000,000 for urban housing. For the budget year 1934/35, the housing appropriation was limited to 8,000,000 kronor, entirely for rural housing. As the unemployment problem declined in importance during and after 1934, the government's housing program was directed less toward promoting economic recovery and more toward social and populational objectives.

Primarily as the result of the publication in 1934 of a book called *Crisis in the Population Question* by Professor Gunnar Myrdal and Mrs. Alva Myrdal, the population problem became a major social and political issue in Sweden. The Myrdals began by describing the fall in the Swedish birth rate; the crude birth rate, which for a long period in the eighteenth and nineteenth centuries had been above 30 per thousand, began to decline during the 1880's, at first rather gradually, but then, after the first World War, with increasing rapidity. In 1934 it reached a low point of 13.68 per thousand. During this period "the neo-Malthusian ideas gained acceptance not only in the labor movement and in liberal circles, but much more widely."³ The Swedish people seemed agreed that the decreas-

³ Gunnar Myrdal, "Population Problems and Policies," *Annals of the American Academy of Political and Social Science*, CXCVII, 201-202.

ing fertility was an excellent method of raising the standard of living and an index of culture as well. But now, the Myrdals asserted, the drive to check population increase had exceeded itself and threatened disaster for the nation. The prospects, they pointed out, were for a continued decline in the birth rate, concluding that

the reproduction of our population, which is already about 30 per cent under the parity level, in all probability will fall still lower unless very powerful measures are invented and successfully applied, and even then we would have no hope of reaching a higher fertility than one merely sufficient to reproduce our population stock. We have made certain statistical investigations showing that in order to maintain a 100 per cent reproduction rate, two-thirds of all marriages (instead of about half, as at present) must produce at least three children, and the majority of those two-thirds must have more than three. If the true nuptial rate is not raised considerably, some of these marriages must have even five children.⁴

The Myrdals therefore urged the government to adopt policies that would encourage people to have more children. At first public reaction to this proposal was by no means sympathetic. D. V. Glass, the British population expert, after a visit to Sweden in 1937, reported that "until very recently Professor Myrdal was sneered at, while his name was used almost as an obscenity."⁵

Large families were called "Myrdal's families," and a new verb, "to Myrdal," meaning "to copulate," was introduced into the language. More serious than this are the attacks from Left and Right politicians, the Left believing—as was stated in the Social Democratic newspaper *Arbetet*—that the movement was pandering to militarism, while the Right maintained that the whole programme was designed to cloak the entrance of Socialism through the back door.⁶

Nevertheless, following an intense discussion of the question in the press, over the air, and in the *Riksdag*, a Royal

⁴ *Ibid.*, p. 203.

⁵ D. V. Glass, "Population Policy," in Margaret Cole and Charles Smith (eds.), *Democratic Sweden* (New York, 1939), p. 292.

⁶ *Ibid.*, p. 292.

Population Commission was appointed to investigate the matter. This Commission closely followed the Myrdals' approach in its report; its recommendations called for state action to curb the decline in the birth rate, including a program to provide adequate housing for families, so that the economic penalties of parenthood would be reduced and that the alleged major cause of deliberate limitation of the size of families—overcrowded housing—would be alleviated.

To effectuate this program, the Riksdag increased its housing appropriation for the 1935/36 budget year from 8,000,000 to 20,750,000 kronor, including an item of 10,500,000 kronor for housing "child-rich" families. Total Riksdag appropriations for the housing of larger families for the budget years 1935/36 to 1939/40 amounted to 40,850,000 kronor, including 35,500,000 kronor as a loan fund for the provision of housing for lower-income families with several children and 5,350,000 kronor in the form of family subsidies.⁷

Loans for family housing were granted to local authorities or to nonprofit corporations endorsed by the community for the construction or conversion of dwellings for families with at least three children under sixteen years of age. The loans were limited to 45 per cent of the value of the property, not including site costs; they were covered by mortgages of up to 95 per cent of the property value. The loans were to be amortized over a thirty- to forty-year period, in the case of new houses. Amortization periods for loans covering the reconversion of older properties were determined with consideration for the age and condition of the building. Interest rates were set which corresponded to the credit costs to the state (1937-38, 3.3 per cent; 1938-39, 3.25 per cent). Local authorities were required to agree to supply site costs free of charge to builders, to provide the balance of the capital needed above the state loan, and to rent the apartments at a scale of rents corresponding to the cost price.

The state also provided funds as family rental subsidies

⁷ See Appendix A, Table 6, Riksdag Housing Appropriations, 1933/34 to 1939/40.

for those occupying these family dwellings. The reductions in rent amounted to 30 per cent for three children, 40 per cent for four, and 50 per cent for five. After 1938 the reduction was increased to 60 per cent for families with six or seven children, and 70 per cent for those with eight or more.

These houses were to be "specially equipped for families with children":

No dwellings rented to families should be smaller than two rooms and a kitchen. The houses should not be placed in dense blocks but have open spaces between with access to playgrounds in the immediate vicinity. A playroom or co-operative nursery should preferably be provided. The direct administration of the house should be in the hands of some person with social experience, a hostess more than a manager or rent collector. These houses should have nothing of an institutional or poor relief character. They should by all means be regarded more as honorary dwellings for the families rearing the citizens of tomorrow.⁸

Approximately 5,000 dwelling-units for large families were completed from 1935 to 1939. The effect of the state's program to improve the housing of large and necessitous families is shown in the following table:

TABLE 6
EFFECTS OF STATE MEASURES TO IMPROVE HOUSING OF LARGE AND NEEDY FAMILIES, 1935-1938

	Percentage of families occupying dwellings consisting of kitchen and				Average floor area of dwelling	Average annual rent
	1 room	2 rooms	3 rooms	4 rooms	(sq. ft.)	(kronor)
Before moving . .	55.8	38.5	5.1	0.6	398.1	527
After moving . . .	0.6	66.2	33.1	0.1	546.6	510

Thus a 30 per cent increase in the space provided for an equal rent payment was achieved. Even in the new houses, however, a considerable amount of overcrowding persisted. Mrs. Myrdal explains it in this way:

⁸ Alva Myrdal, *Nation and Family: The Swedish Experiment in Democratic Family and Population Policy* (New York, 1941), pp. 261-262.

Some overcrowding still exists in these new houses. This is partly a transitory phenomenon, as for obvious reasons the very large families would receive first concern. In the future they will not make up such a large proportion even of this child-rich group. Partly, however, this is due to some unimaginativeness on the part of local authorities, who in applying the standard rule of 2 rooms and kitchen as a minimum requirement forget to find out what the individual family will need. They have, of course, had difficulties in grasping the new program, accustomed as they are to the traditional direction of public housing as well as private toward providing small-sized dwellings for the poorer classes.⁹

After 1936 loans and direct grants were extended to large families for building and improving their own single-family houses. For such loans the upper limit was set at 90 per cent of the cost of acquisition or repairs; seven ninths of the loan was to be amortized over a twenty- to thirty-year period, and two ninths to be granted outright. The state, in making such loans or grants, required the local authorities to assume responsibility for the payment of the annual instalments.

The number of large¹⁰ and needy families in Swedish urban communities was estimated in 1939 as about 20,000. Up to the outbreak of the war in 1939 only about one fifth of this number had received state family housing assistance. This, however, was a good start, and the principle of linking housing to population policy is one that has continued to be of outstanding importance in Sweden.

The nation enjoyed a boom in residential building activity from 1933 to 1939. In urban areas construction increased from 15,000 new dwelling-units produced in 1933 to 30,000 in 1935, and, continuing upward, reached an all-time high for Sweden of 45,000 new units built in 1939.¹¹ Investment by private enterprise was primarily responsible for this expansion. The factors that stimulated private building were these: a rise of national income, in kronor of constant value, of 56 per cent;

⁹ *Ibid.*, pp. 264-265.

¹⁰ "Large families" were defined as those with three or more children.

¹¹ Data in this chapter, unless otherwise cited, are documented in Appendix A, Table 4.

a decline in building costs, from 1933 to 1936, of 6 per cent, followed by a relatively slow rise in building costs, from 1936 to 1939, totaling 7 per cent; virtually unchanged rent levels; and a decline in interest rates on housing loans by approximately one third from 1933 to 1939. The most important causal factors in stimulating residential building thus appear to have been the great increase in real income and the drop in the interest rates. One would expect the influence of the rate of interest to be especially strong in affecting building in Sweden during this period, because of the heavy preponderance of rental housing produced for profit. About two thirds of all housing construction during 1933-39 consisted of privately built rental housing units. Owner-occupied single-family dwellings accounted for about 20 per cent of the total, and co-operatives about 5 per cent. Building by state, communal, and philanthropic enterprises made up the remainder.

The boom in Swedish residential building from 1933 to 1939 made possible some improvement in urban housing standards. In all about 195,000 new dwelling-units were added during the period. At the same time only about 175,000 new households were added to the demand for urban housing. There were approximately 25,000 marriages annually during the depression years 1933 and 1934, and approximately 30,000 marriages annually from 1935 to 1939. The low number of births during the period helped to make more dwelling space available; natural increase in urban areas averaged only about 2,000 from 1933 to 1935, and about 7,000 each year from 1936 to 1939.

Larger families, however, were very little better off, so far as the supply of adequate apartments was concerned, than they had been in 1933. In that year 77.9 per cent of all urban apartments were no larger than two rooms and a kitchen, while in 1939 the corresponding figure was 78.3 per cent. The distribution of urban apartments by size of dwelling in 45 large and middle-sized Swedish cities and towns, at the start and close of this period, was as follows:

TABLE 7

DISTRIBUTION BY SIZE OF URBAN DWELLINGS, 1933 AND 1939

Size of Dwelling	1933	1939
Single room	15.8	17.1
1 Room and kitchen	34.1	31.9
2 Rooms and kitchen	28.0	29.3
3 or more rooms and kitchen	22.1	21.7
Total percentage	100.0	100.0

Apartments were, however, better equipped in 1939 than in 1933. For example, at the later date, 49 per cent of urban dwellings were provided with central heating, whereas the corresponding figure for 1933 was 27. This striking improvement was brought about by the fact that, of all dwellings built from 1934 to 1939, approximately 90 per cent were provided with central heating.

The tightness of the Swedish housing supply may be gathered from the shrinkage in the housing reserve, from 2.5 per cent in 1933 to 2 per cent in 1939, at a time when the production of new housing exceeded the addition of new households. In Stockholm, where the housing reserve had amounted to 3.14 per cent in 1933, it had fallen to 0.98 per cent in 1939. The rise in incomes, making possible an increase in the demand for dwelling-space, was no doubt responsible for this reduction in the housing reserve, despite the large amount of residential building activity during the late thirties.

CHAPTER VII

Housing in Sweden during the Second World War

UNDER a Social Democratic government headed by Per Albin Hansson, Sweden remained neutral during the second World War, but the threat of invasion, necessitating a broad national defense program, the boom in war production to supply *matériel* to the Allies throughout the war and to the Axis until the tide of battle had turned, and the sharp decline in imports as a result of partial blockade and interruption of normal trading placed the Swedish economy on virtually a wartime footing. In consequence, housing developments in Sweden during the war were not unlike those in the belligerent countries. A period of stagnation in residential building occurred during the early years of the war, after which the Swedish government, by a program of loans and subsidies, succeeded during the latter war years in raising housing production to more than three fourths of its prewar peak level.

In 1939 residential construction in Sweden had been at an all-time high of 45,000 new urban dwellings.¹ With the outbreak of war, housing production began to fall off rapidly, although the large number of buildings started during the summer and fall of 1939 resulted in a sizable number completed during the early months of 1940.

The chief cause of the slump in residential building was the steep rise in the interest rate on building loans. The index of the Svenska Handelsbanken shows that interest rates on building loans in 1940 averaged one third higher than in 1939. The role of the interest rate in 1940 in curbing residential building became a point of contention in the Swedish elections of September, 1946. Professor Bertil Ohlin, leader of the Liberal

¹ Data covering the war years will be found in Appendix A, Table 5.

party, declared that "the responsibility for the decline of building rested on the fact that the state and its agencies permitted a rise in the interest rate from 3 to 5 per cent, which made housing production unprofitable. Mr. Wigforss and Mr. Möller [Social Democrats who served as Minister of Finance and Minister of Social Welfare, respectively] sat all through 1940 with their arms crossed. The responsibility for the present housing shortage falls primarily upon them." Dr. Alf Johansson, a Social Democrat and chairman of the State Housing Loan Bureau, replied, "Mr. Ohlin's entry into this question is so dazzlingly audacious that one sits entranced, as at a circus. . . . I would go even further than Mr. Ohlin in saying that the rise in interest rates was both unnecessary and injurious—indeed, that it was the final paroxysm of a liberalistic interest policy . . . forced by the private market against the altogether too weak opposition of the Riksbank." Dr. Johansson further pointed out that the government of 1940 was a coalition government, of which Professor Ohlin was a member; and that subsequent governmental efforts to intervene in the housing credit market were carried only over the opposition of the representatives of private enterprise.

In addition to the curbing effect of the rise in interest rates, shortages of structural iron, fuel, and transport brought about a rapid rise in building costs. The price of building materials rose by 25 per cent during the first year of the war; by 1941 material prices were more than 30 per cent above the 1939 level. Manpower in the building trades tended to shift from residential construction to war production, fuel supply, etc. Many building workers, in addition, were called up for military service. Wages for building workers increased much less than prices of building materials; wages of residential construction workers rose 5 per cent in 1940 and another 3 per cent in 1941. The total cost-of-building index in 1941 was more than 20 per cent higher than in 1939.

Insecure expectations of builders as to the effect of future political and economic events on the demand for housing doubtless had a depressive effect on investment in residential build-

ing. With Norway and Denmark occupied by the Germans, Sweden was beset with doubts and fears that her number would soon come up on the Nazi timetable. After El Alamein these fears for the future began to diminish.

Rents, though uncontrolled during 1940 and 1941, had increased by only 2 per cent. With rental returns at so low a level, and with interest rates and building costs considerably inflated, private investors were unwilling to risk their money on residential building investments. Their only chance for profits would have been to gamble on a rapid rise in rents. Alf Johansson has estimated that a 25 per cent rise in rents would have been required to make housing investment sufficiently profitable in 1941.²

Housing production approached a state of paralysis. From a level of 45,000 new dwelling-units built in 1939, production fell to 18,000 in 1940 and to 12,000 in 1941. The decline in private investment is even more marked when the figures for housing production unaided by state loans or subsidies are considered: 43,000 in 1939, 16,000 in 1940, and 6,000 in 1941.

Not all the building workers thrown off residential construction work could find employment in defense work. Solving this wartime unemployment problem became primarily a matter of restoring a certain amount of residential construction.

A severe housing shortage was in the making. Each year about 30,000 new households were being added to the urban demand for dwellings. Thus far, the effective demand for dwelling-space had been curbed by a decline in real earnings. In 1940 total wages paid out in industry and commerce were no higher than they had been in 1939, but the cost of living had risen about 15 per cent. In 1941 the total wages bill increased 13 per cent, while the cost of living rose 30 per cent above its prewar level. Total earnings in industry and commerce, however, were increasing rapidly; the pressure on housing appeared certain to increase. The longer residential building remained paralyzed, the more intense the housing shortage was going

² Alf Johansson, "Swedish Housing Policy in Wartime," *International Labour Review*, L (July, 1944), 304.

to be. Already the housing reserves were gone in most of the larger towns; in Stockholm, for example, the housing reserve during 1941 had been reduced by four fifths—from 2 per cent to 0.4 per cent.

To meet this threatening situation, the Swedish government adopted a housing program for 1941 which proved to be a failure. Its aim was to raise the level of urban residential building to 40 per cent of the 1939 level. Actually, production in 1941 was scarcely 25 per cent of that of 1939.

The government had concentrated its program on improving credit facilities and reducing interest rates for residential building loans. First, the government guaranteed that interest rates on first-mortgage loans would not exceed 3.5 per cent and that rates on second-mortgage loans would not exceed a corresponding level. Second, third-mortgage loans would be provided for what was regarded as socially necessary residential building. If the funds obtainable for first- and second-mortgage loans proved to be available only at higher rates than that guaranteed by the government, then service charges on third-mortgage loans would be reduced for a period of ten years by an amount equal to the difference between the guaranteed interest rate and the actual rate on first- and second-mortgage loans.

The Riksdag appropriated a fund of 60,000,000 kronor³ for state third-mortgage loans. These would be granted only if the borrower agreed to accept a scale of rents that did not exceed the rents for apartments of equivalent value which had been built before the war. The government was unwilling to face the inflationary danger of permitting rents to rise.

The government was successful in reducing building interest rates by about one fifth, although these were still slightly higher than they had been in 1939. Building costs, however, continued to rise. Consequently, the reduction in the rate of interest was incapable of inducing any considerable volume of building. Unless the government would countenance sufficient

³ During the war years the krona was valued at about 24 cents. See Appendix A, Table 7, for state housing appropriations, 1940/41-1944/45.

rental increases to make building by private enterprise profitable, the state would have to initiate a program of direct subsidy. Rolling back the prices of building materials or cutting wages appeared out of the question.

The 1942 Riksdag enacted legislation which froze rents at the level of June 30, 1942. The arguments put forward for this measure were, first, that a general increase in rents, which appeared inevitable unless controls were adopted, would work undue hardship upon the lower-income groups, and, second, that such a general increase would heighten the danger of inflation and might create the conditions for a future crisis on the housing market. The bill passed by the Riksdag declared:

For the great majority of people, the cost of housing weighs heavily in the cost of living. A continued rise in this unavoidable cost would create serious difficulties for those least able to pay. These difficulties have already been aggravated by the reduction in real incomes that has already taken place as a result of crisis conditions. The housing shortage has become pronounced, especially as regards small dwelling-units; state subsidies have been used to hold down rents which fall most heavily on the lower-income groups.

From a general economic viewpoint, it is our purpose to prevent a general rise in rents, because of the danger of inflation which may follow such a rise. Rents significantly affect the general price level; directly they contribute to the cost of living, and indirectly, largely through the rental costs to business enterprises, they affect commodity prices.

We must give attention to the influence of rents on property values. Increased rents create a rapid rise in property values. If this occurs, it will increase the risk of a future crisis, when residential building returns to normal or when, as a result of improved supply, the general price level declines. A rise in property values should be prevented, in so far as is possible.⁴

As a central agency for the administration of its rent controls, the Riksdag simultaneously set up a State Council on Rents and made provision for the establishment of Rental Boards in local communities. After the passage of rental leg-

⁴ *Kungl. Maj:ts proposition* no. 301/1942, p. 50.

SHOPS AND FLATS

Talkkrogen, Stockholm

Kidder Smith





Kjeller Smith

RURBANISM

Ekshagen, Stockholm

islation, which went into effect on June 30, 1942, the rental index of the Swedish Social Board remained unchanged to the end of the war, at a level only 2 per cent higher than it had been in 1939.

The 1942 Riksdag also embarked on a subsidy program. The basic method of subsidy adopted in 1942 was the so-called "supplementary loan." Such loans were to bear no interest or redemption charges for a period of ten years, after which, if the level of rents had not risen, they were to be written off. However, if after ten years rents had risen to a point where the owners of property built with the aid of supplementary loans were receiving extra profits, the government would require the payment of interest and amortization on the original supplementary loan.

Supplementary loans were calculated to cover the difference between the capitalized value of the expected returns from the property and the actual cost of acquisition under the wartime inflated building-cost structure. The loans could be granted to local municipal authorities, to nonprofit enterprises building in the public interest, and to private builders.

In addition, the 1942 housing program provided for the granting of third-mortgage loans at low interest charges to public, nonprofit, and private builders. The upper loan limits were varied, however, for different classes of borrowers: municipal and nonprofit builders could borrow up to 95 per cent of the capitalized value of the expected returns from the property, while private builders of multihousing units were limited to 90 per cent. Third-mortgage loans could also be granted for the building of owner-occupied single-family dwellings. The upper loan limit in such cases was fixed at 85 per cent of the property value. Supplementary loans could also be granted for single-family dwellings. Because the value of such properties could not be calculated in the same way as the value of rental properties, the size of the supplementary loan was arbitrarily fixed at 10 per cent of the cost of construction.

In order to reduce costs to the state, the 1942 program required the economic collaboration of the local authorities.

Though account was taken of the community's economic capacity, as a general rule the community was expected to contribute 20 per cent of the subsidy required. The government further required that the local authorities be responsible to the state for losses, other than through depreciation, on third-mortgage and supplementary loans to both nonprofit and private enterprises operating in their communities. The logic behind this provision was that the local authorities, knowing their home-town situation, were better qualified than the state authorities to select loan recipients and to supervise their functions.

The 1942 Riksdag appropriated 103,500,000 kronor for housing production and improvement. This budget included the following items:

TABLE 8
RIKSDAG HOUSING APPROPRIATION FOR BUDGET YEAR 1942/43

For improving rural housing.....	5,000,000 kronor
For family housing subsidies.....	4,500,000
Loan fund for construction of dwellings for large, needy families.....	22,000,000
Supplementary loans for construction of dwellings for large families.....	6,500,000
Third-mortgage loans for urban residential building.....	35,000,000
Supplementary loans for urban residential building	27,000,000
For production of pensioners' homes.....	3,000,000
Total	103,000,000

By this expenditure the Swedish government aimed at raising residential building to 50 per cent of the level of 1939. The program succeeded; the number of dwelling-units produced in 1942 was 23,000, slightly over half of 1939's 45,000 units. Housing production for 1942 was almost double that of the previous year.

The 1942 program established the pattern of Swedish governmental social housing policy for the remainder of the war. The sum appropriated by the Riksdag for housing for the 1943/44 budget year rose to 169,800,000 kronor, with the bulk of the increase going for third-mortgage loans, which increased from 35,000,000 to 80,000,000 kronor. Supplementary

loans increased by only 4,300,000; appropriations for rural improvements increased 5,000,000; loans for family housing construction 7,500,000; and subsidies for pensioners' homes 3,000,000.

There was another large rise in the state housing appropriation for 1944/45—from 169,800,000 to 277,900,000 kronor. Again, the greatest rise was in the third-mortgage loan appropriation, which doubled, reaching 160,000,000 kronor. The subsidy-like supplementary loans increased less than 4,000,000 kronor; appropriations for the housing of large, needy families increased by 11,500,000; subsidies for the pensioners' homes by 3,000,000; and loans for rural housing by 2,900,000.

The production of urban dwelling-units during 1943, 1944, and 1945 amounted to 33,000, 37,000 and 42,000, respectively. More than 80 per cent of all dwelling-units built during those three years received state aid in some form of loan or subsidy; in 1945 more than 90 per cent of all new residential construction received financial aid from the government.

State policy had brought about a progressive lowering of the interest rate for housing loans. From an index value of 129.5 in 1941 (1939 = 100), the index of building interest rates had declined to 97.7 for 1942-44, and to 83.1 in 1945. Meanwhile, building materials costs had reached a peak of about 162 in 1943 (1939 = 100), and at that level remained stable for the duration of the war. Wages in the building trades rose very slightly from 1943 to 1945—only a 2.3 per cent increase. Hence, total building costs from 1943 to the end of the war were steady at a level slightly more than 40 per cent above what they had been in 1939. The actual cost of building was somewhat lower, since production shifted away from the use of those materials that were highest-priced and in shortest supply.

Housing production from 1942 to 1945 had kept pace with the growth in the urban household need for dwelling-units, which increased about 30,000 annually. But the housing shortage persisted. Swedish housing authorities blamed it on the stagnation of production from 1940 to 1942, and estimated the

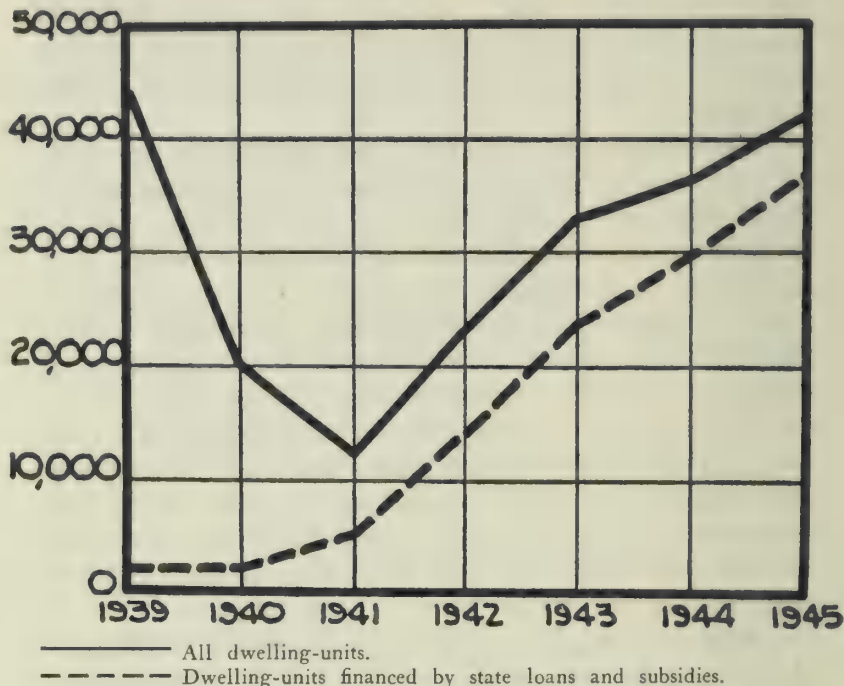


CHART V

DWELLING-UNITS PRODUCED IN URBAN AREAS, 1939-1945, AND NUMBER OF DWELLING-UNITS FINANCED BY STATE LOANS AND SUBSIDIES

Source: *Statens offentliga utredningar*, 1945: 63, p. 205.

size of the urban housing shortage at 50,000 dwelling-units. Some indication of the scarcity of available dwellings may be gained from the percentage of vacancies in Stockholm from 1942 to 1945: 0.43, 0.30, 0.09, and 0.03.

The experience of the Swedish government during the second World War leads to the conclusion that, in a period of inflated building costs and high interest rates, if a government is determined to control rents but also seeks to prevent a paralysis of residential building, that government must provide subsidies and insure that building loans are available at extremely low rates of interest.

CHAPTER VIII

The Postwar Program of Swedish Labor

POSTWAR housing policy in Sweden is part of a general political and economic program of the nation's Social Democratic government. This chapter will attempt to describe that general program and will be concerned only incidentally with housing policy. We consider it important to sketch in this broader background, partly because any housing policy should be viewed in its social and political context and partly because the relevance of Swedish housing policies to other countries, such as the United States, will largely depend on the question: To what degree does the program of the Swedish government commit the nation to a planned or free economy?

It is difficult to give a clear-cut answer to that question. Sweden, like other nontotalitarian nations, is still facing the problem of how to achieve economic stability and security without sacrificing the political freedom that has usually been thought of as a concomitant of the capitalist system. Readers of Marquis Childs' *Sweden—The Middle Way* may have received the impression that Sweden already had the answer—through the co-operative movement. If the outside world believes that, Swedes certainly do not. The most direct expression of the dominant economic and political plan for Sweden is the so-called "Postwar Program of Swedish Labor."¹ In July, 1944, representatives of the principal organizations within the Swedish labor movement—which constitutes the largest political grouping in the country and which solidly supports the present Swedish government—drafted a postwar economic policy for the nation to follow. Since leading members of the government played a major role in the preparation of this document,

¹ *Arbetar rörelsens efterkrigs program, den 27 punkterna med motivering* (*The Labor Movement's Postwar Program, the 27 Points with Their Justification*) (Stockholm, 1944).

the policies set forth may be regarded as the present "official" line. Political and economic developments since the end of the war demonstrate how faithfully that line is being followed.

The program was originally a *Social Democratic* manifesto. Dr. Ernst Wigforss, the Minister of Finance, served as chairman of the committee for the drafting of the program. The Social Democratic party was represented on the committee by Dr. Wigforss and Mr. Karl Fredriksson; the Swedish Trade Union Federation (L.O.), by Messrs. August Lindberg, Gunnar Andersson, John Grewin, and Oscar Westerlund; the Social Democratic Women's Association, by Mrs. Alva Myrdal; and the Social Democratic Youth Association, by Mr. Bertil Johansson. Professor Gunnar Myrdal, formerly the Minister of Commerce and at present Executive Secretary of the United Nations' Economic Commission for Europe, and Dr. Mauritz Bonow acted as consulting experts. The secretary of the committee was Dr. Richard Sterner, who had long been one of Professor Myrdal's right-hand men, assisted by Mr. Gösta Rehn, a young economist working for the L.O. Though drafted by Social Democrats, the Postwar Program of Swedish Labor received the full support of the Swedish Communists. Indeed, in the municipal and provincial elections of September, 1946, the Communists accused the Social Democrats of vacillation on following through the program and themselves campaigned under the slogan "The Postwar Program Shall Become a Reality."

This program of Swedish labor declares that in many respects the world of which our country forms a part must be refashioned after the return of peace. The old economic system has proved itself incapable of solving the problems with which the future will confront us. Moreover, it was the cause of repeated economic crises resulting in unemployment and loss of output.

The thinking behind the program assumed underconsumption. "Existing markets," it was asserted, "nearly always proved inadequate to absorb potential production, even though the needs of consumers to a great extent remained unsatisfied." This

resulted in a downward spiral for the economy: “. . . poverty and unemployment occasioned cuts in production, which in themselves gave rise to further poverty and unemployment.” The fear of industrial stagnation, once the stimulative effect of the war was removed, drew primary emphasis. The Swedish Social Democratic theorists declared that the “first objective” of their program would be “to obviate mass unemployment and industrial crises during the transition from war to peace.” In this respect they differed little from American governmental economists during the period before V-J Day. As in the United States, however, the actual problem of the transition proved to be that of inflationary boom rather than of industrial stagnation.

The Social Democratic statement expressed supreme confidence in the ability of a government to insure a high level of production and full employment in peacetime as in war. This was to be done by governmental intervention in and regulation of the economy: the great lesson of the war was that “the vast powers of intensive production . . . can be released if labor and material resources are utilized under public supervision for purposes determined by the community.” Private interest, it was emphasized, “must be subordinated to common aims.” The formulators of Swedish economic policy went further than those in the United States and as far as the British in affirming governmental responsibility for “full employment.” The program stated that one of the most important of the common aims of the Swedish people was “to insure to every member of the community the opportunity of doing useful work. No able-bodied man or woman should suffer enforced idleness any longer than is required to change from one occupation to another or to undergo training or retraining.” The aim was to expand continually the productivity of the economy and thus provide the Swedish people with an ever higher standard of living—not to stabilize production at a level consonant with full employment. The Social Democrats undertook to “raise the living standard of all members of the community to a level which satisfies all their vital needs, stands in direct relation to the result of their productive efforts, and grows with mounting total productive capacity.”

One means of attaining increased productivity would be through increased industrial efficiency; every member of the community, the program stated, "should take an active part" in effecting improvements in production, both individually and through their organizations. Industrial democracy was to be both cause and effect of heightened efficiency: "Greater industrial efficiency must pave the way for and be inspired by a larger measure of democracy in the economic organization of the country."

To achieve the three main objectives—full employment, fair distribution, and higher living standards, and greater productive efficiency and increased industrial democracy, the committee laid down a twenty-seven-point program. In order to achieve full employment it was stipulated: (1) Price rises must be prevented; in times of ample supply, prices should fall, but the price level must never be allowed to fall so low as to induce economic depression. (2) Industry's efforts to maintain and increase the level of employment must be co-ordinated under state control. (3) Export markets must be fully utilized. State-aided export credits should be granted. Foreign markets should be opened to small-scale industries. The importation of necessary raw materials should be guaranteed by foreign-trade policy. (4) The state should adopt a long-term housing program to raise housing standards. (5) Encouragement should be given to cheap mass production of high-quality consumer goods. (6) State loans and subsidies should be granted to agriculture, forestry, and the fishing industry. (7) Public works should increase when the level of private employment is low. (8) The state should provide effectively operated employment exchanges, better facilities for occupational training and guidance, and more work for the disabled. Clearly, some of these eight points (e.g., 1, 3, 4, 5, 6, and 8) overlap the second objective: fair distribution and higher living standards.

In order to achieve this objective the program called for: (9) increased wages and real incomes for the masses; (10) a united wage policy, a leveling of income differences between agriculture and other branches of work and between men and

women; (11) security against loss of earnings, general unemployment and health insurance, unemployment benefits to be increased to subsistence level, national pensions to be raised; (12) improved industrial hygiene—more effective protection against industrial disease and accidents; (13) shorter working hours, particularly in heavy work; (14) effective measures to improve public health; (15) more even distribution of the cost of children through social benefits to families, day nurseries and kindergartens, subsidized domestic help for needy families in cases of emergency, labor-saving domestic equipment; (16) equal educational facilities for all, regardless of parents' income and place of residence; (17) equal living standards and the abolition of class distinctions.

Under the third heading, which also overlaps to a certain extent the other two, there are set forth an additional ten points designed to promote greater productive efficiency and increased economic democracy: (18) national planning of investments; (19) foreign trade under governmental supervision, contribution to international economic co-operation; (20) stabilization and rationalization of the building industry, rebuilding condemned or crowded areas, gradual transference of building sites and apartment houses in urban districts to municipal ownership; (21) rationalization of agriculture, aid to backward farms so as to make them financially profitable; (22) rationalization of domestic work under state auspices; (23) government support for nonprofit production or socialization where private enterprise entails abuses or monopoly; (24) cartel agreements and similar price combines to be made public, open account to be given of the relation between profits, prices, and costs; (25) greater state support for technical and economic research; (26) consumer goods to be placed under public quality control, strong measures to be adopted to encourage high standards; (27) greater influence on the side of workers over the administration of industry. The authors of the program explicitly recognized that putting it into effect meant "to change the organization of our economy in a socialistic direction."

The program is not without an emotional appeal:

As the democratization of property, individually and collectively, continues, side by side with the democratization of its administration, the more equitable distribution of the fruits of production will become a generally accepted principle in our economic system; when that has been achieved we shall be on the way to abolishing class distinctions and moving towards the goal for which the Swedish labor movement has always striven—the commonwealth of free and equal citizens.

The committee called on Swedish workers to realize that they have “strong moral reasons to demand a positive employment policy,” since, during the war, they had “loyally” and “tranquilly” borne a heavy share of the common burden.

American readers may be surprised to find the discontent of Swedish labor with a system of marked class distinctions brought into the open. The spokesmen of Swedish labor give voice to their fear of the political consequences of depression and unemployment. “Such sufferings threaten the democratic foundation of the community. Unemployment poisons the entire national atmosphere.” The tragically inadequate economic policies of their Social Democratic colleagues in Germany, which opened the door to Hitler, have left their imprint on the thinking of the intellectual leaders of the Swedish labor movement.

The interdependence of the planks in the twenty-seven-point program of Swedish labor suggests the advantage of dealing with this program in terms of certain broad economic policies rather than point by point. The program committed the Swedish government to a policy of reducing prices as supplies are increased and costs lowered. It was recognized, however, that it might prove more difficult to roll prices back than to check price rises. Consequently, the Swedish theorists determined to tighten up, rather than relax, price controls during the immediate postwar years; and this policy has been followed. The continued short supply of certain items meant that a few commodities such as bread, sugar, butter and other fats, soap, meat, and cheese would have to be rationed after the war.

Hunger in Europe put additional pressure on the Swedish food rationing program. Through the Swedish Red Cross and other relief agencies based in Sweden the nation did make a considerable contribution toward feeding the devastated countries.

Labor's program was also concerned with the dangers of a deflationary economic trend. The Social Democrats were committed to a program of sustaining individual incomes and holding up the level of employment. The most difficult aspect of the price problem locally was regarded as the relation between Sweden's domestic price level and prices on world markets. It was feared that the prices of Swedish goods in export markets might go so high in relation to those of competitors as to threaten unemployment in export industries and in domestic industries competing with foreign production. Similar developments had caused Sweden's depressions in the early 1920's and again in the early 1930's. If this situation should again arise, Swedish theorists believed that "it might prove necessary to depress prices to a level where money wages and other incomes became affected." At the time the program was written, however, "the most important" problem seemed to be "the threatened impediment to full employment caused by a deflationary price fall." If this took place, "one means of bringing Swedish prices into harmony with world prices would be to adjust the exchange value of the Swedish krona to current conditions." Thus, if Swedish prices were too high, the krona would have to be devalued; Swedish exports would then sell more cheaply abroad, the value of imports in the Swedish home market would rise, and production and employment in Sweden's competitive industries would thereby be increased.

Curiously enough, the reverse situation proved to be the case. Sweden's prices remained relatively stable, while prices in most other countries jumped. Consequently, Sweden did alter her exchange rate July 6, 1946, but in the opposite direction, cutting the value of the dollar, the pound, and most other foreign currencies by about 14 per cent. Sweden was then facing the problem of inflation, not deflation. This drastic alteration of the Swedish exchange rate aroused considerable

resentment among American and British businessmen and other foreigners then resident in Sweden. The authors of labor's program had recognized the inevitability of such resentment, saying:

If we do not wish other nations to devalue their currencies we must exercise restraint in regard to our own. If we fail to do so, we may risk losing the good will of other nations desirous of preserving currency stability. The best solution would be some kind of international currency authority to stabilize individual currencies, at the same time adjusting exchange rates so as to bring prices into fair relation with one another.

But this was not to entail "blind acceptance" by the Swedes of international currency regulations. Their program states that "Sweden must be able to judge" the degree to which such regulations would force her to deviate from her domestic price and wage policy. Should international currency regulations prove "too unfavorable," Sweden would "reserve the right to make independent decisions."

Foreign trade in the postwar years was not regarded as necessarily unfavorable for Sweden. World markets were expected to be characterized by "severe shortages of consumer goods, and, in several countries, a low level of ready money purchasing power." More than likely, export markets would be "more dependent on credits than on prices." This correct divination of the future clearly presaged such Swedish moves as the granting of a one-billion-krona credit to the Soviet Union.

Sweden's price policy was related to the country's economic position in the postwar world. Labor's spokesmen emphasized that "total production and living standards reach a far higher level by means of international collaboration than by economic isolationism," but foresaw serious obstacles which might hamper Sweden, dependent on foreign trade for about one third of her total national income, in returning to her prewar international trading position. The government would, therefore, have to play a dominant role in the direction and reconstruc-

tion of Swedish foreign trade after the war. It was recognized that it might be necessary to exchange Swedish commodities in urgent demand for scanty raw materials or to accept raw materials in exchange for help in postwar reconstruction of devastated countries; "all this time," the program asserted, "the Government must maintain a strong grip on export trade, otherwise we may risk exports being exchanged for luxury imports or being inadequately utilized to procure vital raw materials," such as coal and iron for constructional purposes.

The government was to assume responsibility for redeveloping Sweden's export trade. The war had cut Sweden off from many of her former markets. Labor's program recognized that Swedish industrialists would do all in their power to recover their former markets, but declared that such private efforts would be insufficient. Some countries with urgent material needs for reconstruction and rehabilitation would find it hard to obtain the necessary credit from private sources, and the Swedish state would have to help finance exports; the government furthermore would have to help explore foreign markets in an effort to open new fields for Swedish products. This latter activity was regarded as especially important, since many former markets were perhaps permanently lost to Sweden, those countries having learned to rely on domestic sources of supply. State aid would be required also for small-scale businesses seeking to get into the export trade, but without sufficient funds to support their own sales organizations abroad. A significant declaration concerned the Soviet Union: "In increasing our foreign trade we must pay attention to the Soviet Union. Should Russia abandon her policy of commercial self-sufficiency after the war, we must avail ourselves of such an opportunity."

Labor's theorists believed that "the more we can expand and diversify our foreign markets, the less we shall risk being unduly affected by fluctuations on the world market," or in any single market such as the "unstable" American market, as Professor Myrdal declared in July, 1946, to Professor Jacob Viner, then in Stockholm for the American State Department.

To attain this expansion and diversification of markets, labor's program recognized that direct export subsidies might sometimes be used, especially where war-ravaged nations were concerned. Such subsidization must not be overdone, because (a) "subsidies would arouse considerable opposition in other countries" and (b) "our trade policy, in the main, must be concentrated on promoting an efficient international division of labor on the general principle that commodities should be manufactured in the countries where production costs are lowest."

The Swedish program, then, was curiously ambiguous on the question of free trade or state control. Labor's program labeled the Swedish scheme "organized free trade," but this was meant to indicate that the state would control foreign trade in order to prevent too rapid fluctuations, seeking, nevertheless, to attain at least "the same degree of international division of labor as under a system of ordinary free trade." In fact, the Swedish notion of "organized free trade" was to come into sharp conflict with the position of the United States on the restoration of free trade in the postwar world. The inevitability of such a conflict should have been evident from a paragraph in the Postwar Program of Swedish Labor:

Thus in spite of all pious statements to the contrary it is unlikely that future international trade will be free in the old sense; this increases the need for supplementing private initiative by a planned state export and import policy. Even after the initial postwar shortages have been overcome, we shall still need uniform control over foreign trade, the State being the obvious agent to guide and enforce such control. In addition the Government itself must operate such parts of the import trade where particular advantage would accrue to the community at large from Government operation—e.g., favorable import terms for bulk purchases by the State, the reduction of middlemen's profits, nationalization, etc. In pursuance of this policy we should consider the nationalization of the coal and oil import.

The coal situation did indeed prove to be the key to Sweden's economic difficulties after the war. Before the war Sweden's coal and coke imports had averaged about 8,200,000 tons;

from 1939 to 1944, before the German source was eliminated, imports averaged about 4,500,000 tons. After the war, with an enlarged industrial structure, Sweden's annual coal and coke needs were estimated to be from 10,000,000 to 10,500,000 tons, of which, in 1945, she received 5 per cent. During 1946 Sweden received only about one third of her estimated coal and coke requirements. Virtually all Swedish residential heating was dependent upon wood from Swedish forests; long stacks of wood in the streets of Swedish towns were daily reminders of Sweden's difficult international position with regard to coal. The coal shortage, together with scarcities of structural iron, piping, wood and other building materials, and of sanitary equipment, posed a serious problem for the Swedish residential building program.

As we have seen, the Swedish labor program called for participation in the international work of reconstruction. This policy, however commendable on altruistic grounds, was also in line with Sweden's plans to extend credits for the purpose of building up foreign trade. Even before the granting of the one-billion-krona credit to the Soviet Union, Sweden had extended credits amounting to two billion kronor to Norway, Finland, Denmark, Poland, and other countries. Though not explicit in the Postwar Program, Sweden contemplated plans for a so-called Northern Bloc, to include herself, Norway, Finland, Denmark, and Iceland, which would involve the establishment of a common labor market, educational exchanges, unified social legislation, currency and customs unions, etc. The whole scheme was hotly attacked in the Communist press—both in Moscow and in Stockholm.

The Postwar Program contained the traditional declaration of Swedish labor's loyalty to the international labor movement: "It will devolve upon the workers' internationals to promote good relations and a spirit of co-operation between the national labor movements—a task which will prove by no means easy in view of the hatred fostered by the present war."

The domestic program for achieving full employment is based on a Keynesian analysis, giving primary stress to the

role of investment. The authors of labor's program believed that to reach a proper level of investment would require coordination of investments in the economy through an authority "representing private and public enterprise, ensuring the proper use of capital resources to keep national production fully geared." Labor's program also emphasized the need to maintain high levels of consumption. Openings for profitable investment would increase, it was stated, as consumer purchasing power rose; even measures with the direct object of raising living standards for backward groups could be so planned as to encourage investment "if they guarantee a market for the consumer goods so produced." It was therefore held to be proper state policy to support both investment and consumption. Housing fit into this program on both counts. But, once again, the problem facing the Swedish economy since the war ended has proved to be the opposite: that too high a level of investment and an effective demand for more consumers' goods than could yet be supplied threatened inflation.

The first object of the wage policy set forth in the Post-war Program is to restore the real wage level of 1939, but this should be done when the supply of goods in the nation is adequate. The 1939 level could be restored, the program held, either through an 8 per cent fall in prices or, if prices did not decline, by a proportionate rise in wages. During the war collective wage agreements were related to a cost-of-living index. Since the early winter of 1941, however, the Swedish cost-of-living index had remained quite steady; hence the outstanding cause of strikes and loss of productivity in other countries, such as the United States, was avoided by Sweden during the first two years after the war. After the wage standard of 1939 is restored, labor's spokesmen stated, further wage advances should take place primarily as a result of technological progress. They recognized, however, that workers might benefit unevenly, as had happened in the past, as the result of an uneven development of different industries. Workers in backward industries were unjustly penalized; therefore the government was to aid in the technical and organizational reform

of those industries, so that their wage-paying power might be increased. The Postwar Program declared that if private employers did not themselves take such steps, they would have in some way to be persuaded to do so. For example, it might be done "by increasing the influence of the workers over industrial operations—a possibility to which we are returning."

This and similar Socialist threats are not taken seriously by Swedish employers, for the most part. Numerous conversations of the writer with Swedish industrialists and businessmen indicate that the Social Democrats are generally regarded by the business community as a rather harmless "petit bourgeois" group. Apparently, the Social Democrats are not contemplating the socialization of any important Swedish industry. Leading Social Democrats regard such Socialist planks as a coercive threat to induce businessmen to run their enterprises properly. The effectiveness of the threats is difficult to assess.

It is also difficult to judge the intensity of the desire of Swedish labor for the elimination of class distinctions. The Postwar Program asserts that Swedish labor stands for "the same economic, social, and cultural opportunities for all and the abolition of class distinctions," but in a characteristic phrase states that "Social Democrats have never claimed the power of predicting . . . how long the process will take." Certainly, Swedes of the working class appear as deferential to their "superiors" as one could imagine. Hats fly off, and bows and curtsies are offered with the old humility; royalty or nobility receives its accustomed homage. There is beyond doubt a deep-seated discontent among many Swedes over these class distinctions, but the people appear unable to do anything about them in the short run. One may well wonder how long the short-run in such matters *is*. Strindberg, in 1900, was more vehement on the subject than were the spokesmen of Swedish labor in 1946.

In summary, it is fair to say that the Postwar Program of Swedish Labor is more "New Dealish" than Socialistic. Depending on political developments, the program's emphasis

may turn in a more determinedly leftward direction. It does contain one solid Socialistic plank—Point 23:

There is a general idea that private enterprise always supplies consumer needs in the most efficient manner. This is frequently untrue. In several branches of industry enterprise is too highly disintegrated for production to be really effective and systematic. In a growing number of cases competition has been eliminated by private monopolies, which restrict output and thereby employment, against the interests of the consumer. In such cases, it will often be desirable to set up efficient competition, either under public administration or through non-profit establishments, aided and supported by the State, where necessary. Where the entire field of production is dominated by a single combine or concern, or where competitive production is not feasible for economic reasons, such concerns or combines should be transferred to public ownership.

Conceivably, Communist pressure at some time might induce the Social Democrats to implement the last sentence of Point 23, though this does not appear at all likely in the near future. It should be emphasized that the program here presented is primarily that of the Social Democrats, who at this writing are a majority government, but that wide political cleavages exist in Sweden. Americans sometimes get the idea that the Social Democratic line is unopposed; nothing could be further from the truth. Many American trade unionists would perhaps be surprised at the amount of attention given by Sweden's labor leaders to international trade, foreign exchange rate manipulation, block purchasing, export subsidies, etc., a reflection, of course, of the far greater importance of international trade to the Swedish economy than to the American. The extent to which Sweden may in the future be able to follow the so-called policy of "organized free trade" as a member of the United Nations, however, may be considerably limited as and if the American foreign economic policy, with its strong opposition to unilateral agreements, comes to predominate.

Once the verbiage has been pared away, the Postwar Program of Swedish Labor is remarkably free from traditional

trade union and Socialist dogma; instead it shows a sharp appreciation of how Sweden has managed to live and prosper in a world of wolves. Swedish labor lends its support to Swedish industrialists in playing the international game shrewdly, deviously, and, if necessary, consciencelessly. The same criticism of their nation's *realpolitik* has frequently been made by the followers of the late Professor Torgny Segerstedt, editor of the staunch Gothenburg newspaper, *Handels-och-Sjöfartstidning*. Thanks to labor's co-operativeness, Swedish big business is willing to co-operate with a Social Democratic government that has the added advantage of providing it with a peaceful, well-disciplined labor force.

CHAPTER IX

The Postwar Housing Program

THE OBJECTIVES of Sweden's postwar housing program included liquidation of the existing housing shortage, the raising of housing standards, the stabilization of the building industry at a high level of production and employment, and the demolition and replacement of substandard housing and overcrowded city areas.

However, postwar shortages of materials and men complicated the task of achieving these goals; hence, a quota system had to be adopted. The Swedish government carried its wartime housing policies into the peace years. Control over the granting of building permits and domination of the housing credit market, through the system of building loans and subsidies, gave the Swedish government a monopoly over the *planning* of the nation's future housing development. In its planning the government had to take into consideration a complex of factors, the most important of which were: (1) the long-range housing program, (2) the need for solving the housing shortage, (3) the relative pressures of new building demands of the various cities and towns and rural districts, (4) the relationship of residential building to other conjunctural developments, (5) the availability of manpower, (6) the availability of building materials, (7) town-planning, hygienic, and other regulations.

The government's housing policy, expressed in the Postwar Program of Swedish Labor, declared:

Unless prevented by a shortage of building materials housing policy should be formulated so as to increase the output of dwellings to such an extent that the total volume of employment will also rise.

There is at present an acute shortage of dwellings and there will be a great demand for new houses. The foremost aim of housing policy is to abolish the present shortage of dwellings.

On the other hand, the housing shortage cannot in itself form a sufficient reserve of work for more than a few years. In this respect conditions will differ widely from those which prevailed during the period between the wars when housing needs were accentuated by an accelerated increase in the number of households, which was chiefly due to the rise in younger population groups. This increase is at present culminating. One can therefore predict a gradual decline in the spontaneous demand for new dwellings. The effect of this change will be widely felt. Assuming that the tendency in each age-group to form individual households remains constant and that the age-specific relative migration losses of the rural population remain about the same as in the 1930's, the number of households in urban areas is expected to increase by about 18,000 yearly during the period 1946-50 (the corresponding figure for the 1930's was about 22,000). The number of new households in 1951-55 and 1956-60 will be 14,000 and 11,000 respectively. In 1980 the number of families in urban areas will have ceased to rise. There is therefore little hope that the volume of new residential building during the late 1930's will be maintained unless Sweden receives large immigration from other countries or the effort to raise housing standards is greatly intensified.

The Housing Survey of 1933-36 revealed that there were at that time 300,000 households totaling 1,500,000 persons in dwellings with at least two persons to every room¹ or which were condemned by the investigation as being dilapidated; some of the dwellings were both crowded and unhealthful. Although housing policy has since done much to improve this condition, the greater part of this urgent housing need still remains untouched.

In the interests of labor market policy, population, and urban hygiene, housing standards must be raised. We must have sufficient dwellings large enough to allow one room (not counting kitchens) for every two children, and all dwellings must satisfy modern standards of hygiene. The home should be planned to facilitate the work of the housewife so as to encourage large families—the restriction of families is often a direct result of the heavy burden of domestic work.

¹ Children under fifteen counted as half a person, and kitchens as half a room.

If this minimum standard of one room per person is to be achieved in urban areas, during the coming 30 years, we shall need to produce at least 175,000 rooms yearly, according to the official estimates. In 1939, 135,000 rooms were produced in urban areas, although 30 per cent of the building workers were unemployed during five months of that year. If two-thirds of this seasonal unemployment had been eliminated (present housing policy aims at abolishing seasonal fluctuations in the building trade) the same number of workers could have produced 150,000 rooms. Assuming that the process of rationalization continues, the same force of building workers could produce even more dwellings yearly.

The Postwar Program called for the pulling down of many existing urban buildings; in time all dwellings which were below the required health, equipment, and space standards were to be replaced. This "slum clearance" program had two stated objects: "to free towns from buildings which constitute a menace to health, traffic developments or air raid security" and "to make room on the market for new buildings."

Sweden's planners believed that private ownership was "a considerable obstacle" to their demolition and replacement program, and held that if urban centers were placed under municipal ownership, the clearance program could be organized "in a much simpler and more effective manner." Large savings could thereby be effected:

Costs run high when private owners—many of whom have bought their houses only recently—must be compensated for buildings that have to be demolished because they do not fit modern town plans but nevertheless have a very high speculative value. Ultimately, therefore, it will be necessary to transfer privately owned apartment houses to municipal ownership; building sites, too, should become the property of the municipal authorities, to whom ground rent would be payable. This would obviate unfair private profit on future rises in land values.

As the pressing demands of the housing shortage become satisfied, labor's program envisions the building of more recreation centers with libraries, premises for study circles, gymnasiums, theaters, play centers and day nurseries, and collective laundries in both rural and urban districts.

Sweden's leading housing administrators do not want their long-range housing program to be enlarged and contracted periodically as an anticyclical device. They stress, instead, their intentions of stabilizing the building industry. However, they realize that their program will inevitably be affected by cyclical movements. The program does allow for a considerable measure of flexibility. As residential construction shifts from relieving immediate scarcity to supplying better and larger homes, its flexibility increases. And if industrial and commercial building slumps, labor and materials can be channeled into residential construction; on the other hand, in better times, the replacement of substandard housing might be deferred.

Considerable pressure was put upon the formulators of Swedish housing policy to promote a very large expansion of the housing industry in order to meet the immediate housing problem. Such leading housing planners as Dr. Alf Johansson, chief of the State Housing Loan Bureau, feared the consequences of a temporary "overexpansion" of the building industry.

Dr. Johansson told the writer on February 13, 1946, that "at present there is great public demand for us to solve the existing housing shortage as soon as possible." Dr. Johansson estimated the immediate shortage as approximately 50,000 dwelling-units. He pointed out, however, that the current net increase in the number of households is at present between 30,000 and 35,000 a year, and that, therefore, 80,000 to 85,000 dwelling-units would have to be built if the entire shortage were to be overcome in a single year. "That," he said, "is impossible now because of shortages of building materials, manpower in the building trades, and the limited productive capacity of the building industry." Peak annual production, under existing circumstances, appeared to be about 45,000 to 50,000 dwelling-units in urban areas. Sweden, said Dr. Johansson, had no intention of attempting to solve the housing shortage in a single year—even if it *could* be done. His reason was that expanding the productive capacity of the building industry and recruiting additional workers to housing construc-

tion in sufficiently large numbers to end the shortage in one year would result at a later date in a tremendous crash in the building industry and widespread unemployment, which might have disastrous consequences for the entire Swedish economy. Instead of trying to liquidate the shortage in 1947, Dr. Johansson and other Swedish housing economists proposed to end the shortage by 1950. If the immediate need for 50,000 dwellings is increased by about 30,000 households annually, a total demand for 140,000 dwelling-units would exist after a three-year period. A yearly production of 45,000 dwellings would thus end the Swedish housing shortage in slightly over three years.

Since Sweden as a democracy is subject to changes in political leadership, the housing program could not be drawn up too rigidly. Allowance had also to be made for changes in the general business cycle. But, as a guide to future housing policy, Dr. Johansson and his Social Housing Committee drew up a fifteen-year housing program, which called for the annual production of about 45,000 dwelling-units in urban communities and 25,000 dwelling-units in rural areas, amounting to a total supply of about 1,000,000 dwelling-units over the fifteen-year period. That number would be equal to approximately half the presently available Swedish housing supply.

As chairman of the Social Housing Committee, Dr. Johansson, in a six-hundred-page report,² outlined what this fifteen-year program should be. The Committee based its production program for urban areas on the following estimate of the future growth of households:

Period	Increase in Households
1946-50	130,000
1951-55	105,000
1956-60	95,000

The total increase in households for the fifteen-year period was thus estimated at 330,000. To this household demand the

² *Slutbetänkande avgiivet av bostadssociala utredningen. Del I. Allmänna riktlinjer för den framtida bostadspolitiken, Förslag till låne och bidragsformer (Report of the Social Housing Commission, Part I, General Directions for the Future Housing Policy, Proposals for Loan and Subsidy Forms). Stockholm, S.o.u. 1945:63.*

Committee added its estimated housing shortage, for 1946, of 50,000 dwelling-units. In addition, the Committee estimated that, as a result of obsolescence, 25,000 dwelling-units would be removed from the housing market during each five-year period, making a total of 75,000 for the entire period. The state's "slum clearance" program would add another 160,000 dwelling-units to those no longer habitable; state-planned destruction would remove 20,000 dwellings from the market during 1946-50; 70,000 during 1950-55; and 70,000 during 1956-60. The total demand for new dwelling-units during the period 1946-60 would therefore be as follows:

Increase in households.....	330,000
Existing housing shortage.....	50,000
Units removed from market as no longer habitable..	75,000
Units demolished because substandard.....	<u>160,000</u>
	Total 615,000

The Committee's residential building program to meet this demand was apportioned as follows:

Period	Units to Be Built	Annual Average
1946-50.....	225,000	45,000
1951-55.....	200,000	40,000
1956-60.....	<u>190,000</u>	38,000
	Total 615,000	

This program would imply a gradual shrinkage in the volume of production and employment in the building industry—unless the size of each dwelling-unit was increased. If the average size of the dwelling-units built was raised, after the first five-year period, by one-half room, annual production of the Swedish building industry, expressed in rooms, would be as follows:

Period	Annual Production of Dwelling-Units	Average Size of Dwelling	Total Production of Rooms
1946-50.....	45,000	3.5 rooms	157,500
1951-55.....	40,000	4.0 rooms	160,000
1956-60.....	38,000	4.0 rooms	152,000

A virtually stabilized production could thus be attained by a slightly increased size of the average unit produced during the period.

The above long-range program, as was mentioned earlier, is a guide to future Swedish housing policy, not a definitely fixed "Fifteen-Year Plan." The determination of the actual amount of construction in each city or town to be sanctioned from year to year is made by the State Housing Loan Bureau, working in co-operation with other government agencies and local communities.

Community co-operation is of outstanding importance. As a Bureau circular stated in 1944, "Not much is gained by fixing a goal for housing production in the coming year, here at the central office, if the local communities do not make arrangements for procuring sufficient supplies for production at the desired level. . . . Preliminary planning by the communities is essential for a sufficiently extensive winter building program."³ The State Housing Loan Bureau used the quota licensing system to smooth out the seasonal curve in residential building. That this scheme was meeting with success is shown by the fact that on January 1, 1945, 26,345 dwellings were in production in all urban communities, while on April 1, 1945, 28,249 units were in production. One year later the amounts of winter and spring building were even more similar: 31,898 dwellings in production on January 1, 1946, and 32,256 on April 1, 1946.

Following the general plan of the long-range housing program, Sweden produced about 45,000 urban dwellings and 25,000 rural dwellings in both 1946 and 1947, but material shortages, it appears at the present writing, will force a cut-back in the urban building program to about 35,000 dwellings in 1948.

At 1946 and 1947 building costs, Sweden's housing program required an annual investment of about 1,500,000,000 kronor. An equivalent expenditure in the United States might be roughly eight billion dollars a year.

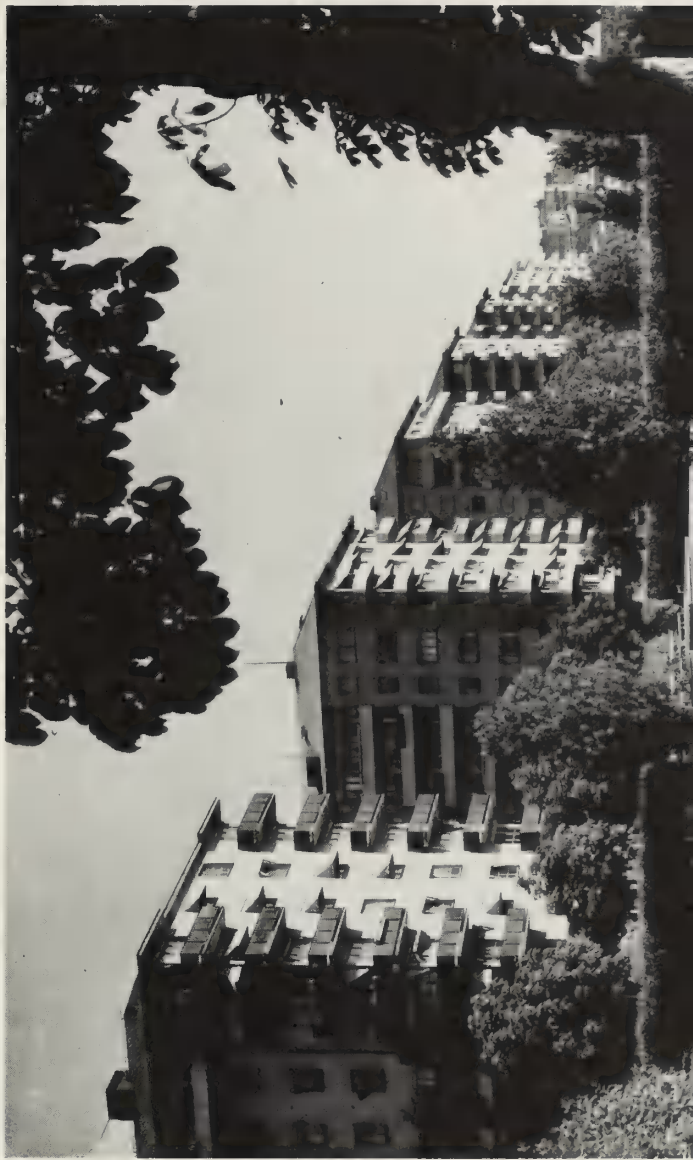
Realization of an improvement in housing standards, as called for by Sweden's plan, demands that the new dwellings be offered at a price which most people can afford, as Dr. Jo-

³ *Statensbyggnadslånebyrå Circular*, 31 May 1944.

PLANNING FOR BEAUTY

Gärdet, Stockholm

Kiddler Smith





Kidder Smith

RADIUS

Traneberg, Stockholm

hansson points out. The fundamental fact is that incomes must rise in relation to rents. Because of Sweden's rent control program during and since the war years, this changed relation is actually coming about. Rents in Sweden are still at about the same level as they were before the war, while money incomes have risen about 50 per cent. Hence, relative rent levels have been reduced by about 30 per cent. Dr. Johansson asserts that "this is chiefly a result of the cheaper financing made possible by the government loans," which we shall describe in some detail in the next chapter. Cheaper financing, according to Sweden's leading housing economist, "has to a great extent compensated for the rise in building costs, which, according to index figures, amounts to 40-45 per cent, but which, thanks to technical rationalization, saving of materials, etc., in reality has been limited to 25-30 per cent."

Swedish rent regulations, which cover all cities and towns having on January 1, 1942, at least 2,000 inhabitants, provide that the rents on unfurnished dwellings may not exceed the highest basic rent charged on January 1, 1942. For dwellings which at that time were not rented or not yet prepared for occupancy, the local Rental Board determines what the basic rent is to be. If the dwelling-unit was built but unrented on January 1, 1942, the Board fixes rents in accordance with what the rental situation was at that time. For dwelling-units built afterward, the Board makes allowance for changes in building costs.

On petition of the landlord, the Rental Board is authorized to raise the basic rent if the rent obtained on January 1, 1942, is found to have been below the scale of rents for units at that time or if the value of the property has been raised by later improvements. On the other hand, on petition of the tenant or rental applicant, the Board may reduce the rent if, on the specified date, the dwelling bore a higher rent than comparable dwellings. Petitioners dissatisfied with decisions of their local Rental Boards may go before the Council on Rents, not later than twenty days after the local board hands down its decision. The decisions of the State Council on Rents, however, cannot be appealed.

Landlords have the right to make charges above the basic rent for heating and hot water, unless contracts are written to include charges for these items. Such contracts, however, are subject to the scrutiny of the Council on Rents, which may decide that extra charges for heat and hot water are excessive.

Swedish rental regulations also cover furnished apartments and dwelling-units connected with business establishments. On petition of a tenant, local Rental Boards may order rent reductions if the landlord is charging a rent that appears higher than conditions warrant.

The Swedish law protects tenants from eviction on expiration of their leases provided that the tenant petitions his Rental Board within fourteen days after his lease has expired. The Rental Board sets the date for a hearing, at which both tenant and landlord may present their cases. The Board pays special attention to what chances the tenant has of securing another apartment, what his general family circumstances are, the age and number of his children, etc. In the case of furnished apartments, however, Rental Boards cannot order continuation of a lease beyond the date fixed in the original lease.

Sweden's housing economists recognize that in the long run the improvement of the people's housing depends fundamentally on general economic progress and on better, cheaper production methods. Techniques of residential building are at present the object of intense research and experimentation by a number of private and public agencies, co-ordinated under the State Committee for Building Research. It is beyond the scope of this book to describe the results thus far of this technical research program. We may note, however, that their program includes investigations of the production and distribution of building materials, housing design, prefabrication, the organization of the building industry and building labor, methods of housing production, and methods of operating houses—all with an eye toward rationalization and standardization of this relatively backward industry.

The most impressive feature of the Swedish postwar housing program is the evidence it gives of a comprehensive under-

standing of the complex of economic, social, demographic, and technological factors bearing on the housing problem. In addition, the state has faced the fact that if it intends to control rents and otherwise reduce or eliminate private profit and speculative activity in the housing field, it must also play a strong, positive role in assuring that sufficient dwellings are produced.

The decision of the Social Democrats not to encourage a building boom but rather to plan the liquidation of the housing shortage over a three-year period is noteworthy; the government's intention is to avoid overexpansion and its possible sequel, a future breakdown in the building industry, which might have ruinous consequences for the entire economy. From year to year the Swedish government, through its building quota system, will seek to impose a fair and rational pattern on the development of Swedish housing.

CHAPTER X

The Financing of Housing

THE FINANCING of Swedish housing is rather complicatedly divided among state and private institutions. First- and second-mortgage loans are handled either by private credit institutions such as commercial and savings banks and insurance companies or by quasi-governmental agencies, while third-mortgage loans are almost invariably handled by the State Housing Loan Bureau. For certain special purposes, the state may grant direct housing subsidies.

The state plays a role in the provision of first- and second-mortgage loans through the City Mortgage Bank and the Housing Credit Institution. These organizations were founded on the initiative of the state, and their security is guaranteed by the state.

The City Mortgage Bank, which has subsidiary branches throughout the country, grants first-mortgage loans on residential and commercial buildings in urban areas. The bank's capital of 125 million kronor was provided by the state. The bank sells its bonds in the open market in order to obtain funds for its housing loans. In certain cases, the bank has been known to let its bonds out directly to borrowers, who may sell the bonds themselves to secure the cash they need. The bank grants funds either in the form of amortization or lump-payment loans. Formerly, amortization loans predominated, but in recent years the proportion has been reversed.

The Housing Credit Institution, which issues second-mortgage loans on larger residential buildings in urban areas and also first-mortgage loans on smaller owner-occupied dwellings, was modeled after the City Mortgage Bank. It, too, has

branches throughout the country. Its central agency, the Housing Credit Bank, was provided with an original capital of 30,000,000 kronor by state appropriation. It requires amortization of all its loans.

Generally, first-mortgage loans provide about 50 per cent of the funds needed for site and building costs. Second-mortgage loans usually provide from 10 to 15 per cent of the additional funds required.

The State Housing Loan Bureau directly provides residential building loans, supplementary loans, housing subsidies for large, low-income families, subsidies for the construction of houses for persons living on their government pensions, and third-mortgage loans. Since the end of the war the State Housing Loan Bureau has contributed to the financing of approximately 90 per cent of all urban residential building.

HOUSING LOANS, SUPPLEMENTARY LOANS, AND FAMILY SUBSIDIES

The purpose of these loans is to provide low-rental or low-cost housing for large families with low incomes. The state loans may go either to local communities, to nonprofit housing enterprises, or to individual families who want to build or improve their own homes.

State housing loans for multifamily dwellings may be granted either for new construction or for the purchase and improvement of older buildings. Such loans may cover up to 95 per cent of the total cost of the property; as security, the borrower puts up a first mortgage on the property. The interest rate on these loans in 1946 was 3.25 per cent. The loan is divided into two parts: one to be repaid in a lump sum at a date fixed by the Housing Loan Bureau, the other to be amortized—within forty years in the case of new stone buildings, and within thirty years for new wooden buildings. The amortization date for older buildings is set in relation to the age and condition of the building at the time of purchase.

Local communities must provide the building sites and agree to make good to the state government losses due to de-

preciation through neglect or delinquencies in rent payment. The communities must also be willing to provide funds, if they are needed, to meet whatever costs the state has not covered with its original loan.

The state requires that the separate dwelling-units for families be of a suitable type and size; that play areas be provided near by for the children; and that larger apartment houses be furnished with play houses and nurseries.

With the agreement of the local community or the housing enterprise, the State Housing Loan Bureau sets up a schedule of standard rents, in accordance with the actual operating and financial costs of the building. Payment of these standard rents is subsidized by the state, in relation to the number of dependent children¹ in each family. The amount to be paid by each family is reduced according to the following schedule:

Number of children in family	Percentage Reduction
3 children	30
4 children	40
5 children	50
6 or 7 children	60
8 or more	70

It should be noted that these family rental reductions obtain only for families living in the nonprofit, low-cost family housing developments, or in approved single-family dwellings, and not throughout the country generally. The question may be raised as to why the state does not extend the subsidies to all large families. Mrs. Myrdal's reply is as follows:

This would without doubt be what has previously been called mathematical magic for bringing about social justice, but it would probably please private landlords still more. . . . A general . . . subvention of rents for all existing houses would simply give the land-

¹ Royal Regulation # 16 defines "children" for purposes of rental subsidies as: "Natural-born children, adopted children, and, after examination by the local community or the housing enterprise, foster children who are supported by the families they live with without their own parents. Children are included who have not yet reached age 16; however, older children who are continuing their education or are for other reasons permanently unemployed may also be included, after examination." It is not necessary for parents to be legally married to obtain these rental reductions.

lords an opportunity for raising the rent for these family dwellings and possibly the general level of rents. . . .

The main argument for combining the subsidies with the promotion of public building activities is that the housing supply as a whole must be expanded through a greater number of large-sized dwellings. Procuring just rent subsidies would preserve the *status quo* with regard to the available housing facilities themselves. No guarantee would be obtained for larger dwellings being built. It would be just as difficult for families to find the nonexistent larger dwellings and it would not make such families much more welcome. One difficulty now is that children are not desired as tenants nor liked as neighbors.²

If the size of a family living in one of these approved dwelling-units is reduced, through the growing up and moving away of the children, the family's rental subsidy is reduced gradually. A family whose number of minor children has decreased to one or two still gets a 10 or 20 per cent rent reduction during a transition period which may last no longer than three years.

State housing loans may also be granted for single-family, owner-occupied dwellings, in which cases they may cover, as a maximum, 81 per cent of the costs for new construction, or 90 per cent for repairs and improvements. The local community must contribute building sites or an equivalent amount of capital and must assume responsibility for losses which arise through neglect or failure to repay the state loans.

The state housing loan for single-family dwellings is divided into two parts: one third is a lump-payment loan, and two thirds is to be amortized within 20 years. The amortization part bears interest, as does one third of the lump-payment part. Thus, in all, seven ninths of the loan bears interest—in 1946 at a rate of 3.25 per cent. After twenty years part of the lump-payment part of the loan is to be written off, provided that the State Housing Loan Bureau has no reason for deciding otherwise. The interest-bearing third of the lump-payment part is then called in for payment, although it may be extended for another ten years.

The Swedish government has attempted to extend to large,

² Alva Myrdal, *op. cit.*, p. 263.

needy families in owner-occupied dwellings benefits equivalent to those granted through the system of rental reductions. Families in their own homes, financed by the State Housing Loan Bureau, receive family subsidies in the form of reductions of the amounts due annually as interest charges and amortization. The reductions vary in accordance with the number of dependent children; the state subsidy may not exceed the sum of the interest and amortization payments due. The family must, of course, take care of its own heat, light, water, and other maintenance costs.

STATE SUBSIDIES FOR PENSIONERS' HOUSING

The State Housing Loan Bureau provides subsidies for low-cost housing for aged persons living on their government pensions and for invalids partly or wholly supported by the government. The bureau has established a scale of maximum rents to be charged in pensioners' homes located in different regions of the country, varying with the level of housing costs in three main regional categories, as follows:

TABLE 9
MAXIMUM ANNUAL RENT FOR PENSIONERS' APARTMENTS
(Including heat and water)

Persons Occupying Dwelling-Unit	Region	Region	Region
	I	II	III
1	120 kr.	180 kr.	240 kr.
2 - 3	180	270	360
4 and more	210	315	420

Local communities provide the building sites and pay for the necessary road-building, water and drainage systems, gas and power facilities; most of the other building costs for pensioners' housing are borne by the state.

THIRD-MORTGAGE AND SPECIAL SUPPLEMENTARY LOANS

The State Housing Loan Bureau grants third-mortgage and supplementary loans in rural and urban districts for both profit and nonprofit residential building. Applications for these loans are examined with regard to the business of the applicant, the architectural plans, construction methods and building materials to be used, the size and plan of the building site, site costs, building costs, rental scale, and operating costs. The exam-

ination in the case of single-family units is of course less extensive than for multifamily dwellings.

Third-mortgage loans for privately managed single-family dwellings (which are defined as including dwellings with two separate apartments) may not as a rule exceed 35 per cent of the building costs. The third mortgage, when added to the amounts already raised by the borrower through first- and second-mortgage loans, may not cover more than 85 per cent of total building costs. The prospective owner must contribute at least 15 per cent of the cost.

Supplementary loans cannot be granted for the construction of single-family dwellings; however, in order to reduce the annual capital costs, a part of the third-mortgage loan may run for ten years without charge for interest or amortization, provided that the local community agrees to assume the responsibility for losses which may arise on this part of the third-mortgage loan. If after ten years the general level of housing costs has not risen, this non-interest-bearing, unamortized part of the third-mortgage loan will be written off; if housing costs have risen, this part of the loan must begin to be repaid annually and to bear interest charges. If local communities are unwilling to assume any risks where a single-family home is concerned, the third-mortgage loan can be granted to cover a total of 76.5 per cent (with other loans against first or second mortgages) of the value of the property.

The interest rate for third-mortgage loans on single-family dwellings was set by the Bureau in 1946 at 3.6 per cent. Total annual payments (interest plus amortization) were to total 6.0 per cent for the first ten years, and thereafter to rise sufficiently so that the loan would be amortized completely within twenty years after the date it was granted.

Third-mortgage loans for multifamily dwellings, built for profit, may ordinarily not exceed 20 per cent, but in certain cases may rise as high as 35 per cent of the property value, as calculated by the State Housing Loan Bureau. The corresponding maximum amounts of third-mortgage loans on multifamily units built by communities or nonprofit enterprises are 25 and 40 per cent. Third-mortgage loans for improvements

may not exceed 50 per cent of the improvement costs.

When the borrower is a private entrepreneur, the third-mortgage loan may not exceed, when added to the first- and second-mortgage loans, 90 per cent of the capitalization of the current earnings of the property. When the borrower is a community or nonprofit enterprise, the limit rises to 95 per cent. The additional funds, amounting to 10 and 5 per cent respectively, must be contributed by the private or nonprofit borrower.

The interest rate for third-mortgage loans for multifamily dwellings in 1946 was 4.5 per cent. Yearly payments for interest and amortization were to equal 5.25 per cent for new construction during the first five years, rising to 6.0 per cent thereafter. Interest rates on improvement loans were 6.0 per cent for the first five years, and 6.5 per cent thereafter. After an additional five years, the annual charges on both new construction and improvement third-mortgage loans were to rise sufficiently for the loans to be amortized within thirty and twenty-five years, respectively, from the date of the loan.

Supplementary loans may be granted for multifamily dwellings to cover the difference between the actual cost of the property and the capitalization of the current earnings of the property. This difference, designated as "surplus costs," came into being during the war years because the government could not authorize rents higher than those corresponding to rental levels of 1939 for similar dwellings, while building costs had risen by about 30 per cent. The State Housing Loan Bureau has attempted to limit the outflow of supplementary loans by requiring, as a condition for receiving a third-mortgage loan, that building site costs be priced no higher than the 1935 level. Surplus costs are usually shared by the state and the local communities at an 80 to 20 per cent ratio, although the Housing Loan Bureau may reduce the community's contribution. Often the community provides its share of the subsidy in the form of a reduction in the price of the site.

Supplementary loans bear no interest or amortization charges; however, if rents go up, the Housing Loan Bureau may begin to require payment of interest and amortization on

either part or all of the supplementary loans. If rent controls are not lifted within ten years after the granting of the supplementary loan, the loan is to be written off.

In recent years the State Housing Loan Bureau has granted about six times as much money in the form of third-mortgage loans as in the form of supplementary loans.³

HOME OWNERSHIP AND SUPPLEMENTARY LOANS

The Home Ownership Administration is primarily responsible for government aid to rural housing. This agency, under the Department of Agriculture, grants home-ownership loans and supplementary loans, improvement loans and subsidies, rural workers' housing loans and subsidies, and housing subsidies for farmers with large families.

Home ownership loans for dwellings in rural districts may amount to a maximum of 75 per cent of the property value, although the loan may not exceed 15,000 kronor. Amortization of part of this loan begins after the first three years; the other part, amounting to 50 per cent of the property value, is to be repaid in a lump sum. In 1946 the interest rate on such loans was 3.6 per cent.

The Home Ownership Administration has also granted supplementary loans since July 1, 1942. These may not exceed 10 per cent of the total property costs and bear neither interest nor amortization charges for ten years. They cover "surplus costs," or the difference by which supply costs exceed the value of the property on which the home ownership loan was calculated. After ten years the supplementary loans are to be written off, provided that a general inflation of prices does not lead the Administration to a decision that a part or all of the supplementary loan shall begin to bear interest and require amortization.

IMPROVEMENT SUBSIDIES

The Home Ownership Administration makes direct subsidies for the repair of rural dwellings, when the applicant needs financial assistance and when the improvement is regard-

³ See Appendix A, Table 8, for data on third-mortgage and supplementary loans granted during the budget years 1942/43 to 1946/47.

ed as hygienically necessary. They ordinarily cannot exceed 80 per cent of the cost of the job. In 1946 a maximum grant of 3,500 kronor was established, except for special cases.

CONSTRUCTION LOANS

These loans are intended to cover more extensive rebuilding of rural dwellings. The applicant is not under obligation to prove need of financial assistance. Construction loans can often be granted in combination with improvement subsidies, but not with improvement loans (see below). Construction loans cannot exceed 80 per cent of costs. They bear interest and must be amortized within 20 years.

HOUSING LOANS AND SUBSIDIES FOR RURAL WORKERS

These are granted to owners of agricultural properties or to farmers, to assist them in constructing or repairing adequate housing for farm labor. The dwellings for which the loans are granted must have at least two rooms and a kitchen, with provision for running water, drainage, and central heating, where such facilities are obtainable at reasonable cost. The loan terms are about the same as obtained for improvement loans.

Subsidies for workers' housing amount to three hundred kronor per dwelling if it is to be furnished with water and drainage facilities or consists of at least three rooms and a kitchen; they may amount to six hundred kronor per dwelling if water and drainage facilities plus central heating are provided, and if the dwelling consists of at least three rooms and a kitchen.

HOUSING SUBSIDIES FOR FARMERS WITH LARGE FAMILIES

The Home Ownership Administration grants housing subsidies to low-income small farmers, forest workers, and other needy rural workers, if their families include three or more dependent children under sixteen years of age. These subsidies for enlarging or improving dwellings may not exceed one thousand kronor.

It is clear that the principal financial means by which the Swedish government has sought to bring about the improvement of the people's housing is the mortgage loan. The loan-to-value ratio for residential building has been raised to high levels, particularly through third-mortgage loans, as a means of stimulating housing construction. Every effort has been made to keep interest rates at a minimum level. The Twentieth Century Fund, in its study of American housing, estimated that for the United States under 1940 conditions the minimum mortgage rate was 4 to 4.5 per cent.⁴ The Swedish authorities have depressed their mortgage interest rates even lower. In 1946 third-mortgage loan interest rates ranged between 3.6 and 4.5 per cent for most residential building, and, in the case of "socially necessary" construction, the rate was held down to 3.25 per cent.

Both amortization and lump-payment loans have their advantages and disadvantages, as the Twentieth Century Fund study has shown.⁵ The adoption of the amortization plan has helped to raise the loan-to-value ratio, to extend the duration of the loan, and to reduce the interest rate. The amortization method, however, is not sufficiently flexible to allow for a borrower's fluctuations in income. Terms are fixed as though income and rent levels were to be constant for the duration of the mortgage, but actually the economy may go through several cycles during the lifetime of the loan. Moreover, the likelihood of losses by the lender is increased with each monthly accumulation of defaulted payments. The Twentieth Century Fund study concludes:

The inflexibility which is the major defect of the mortgage as a financial instrument thus remains. Indeed, the old lump-payment mortgage—as long as the possibility of renewal existed—could be

⁴ "If 2.75 to 3 per cent is taken as the payment for savings and allowances for the lending institution's reserves under 1940 conditions, 0.75 per cent for handling loan collections, and 0.5 per cent for the risk, the minimum mortgage interest rate under 1940 conditions was 4 to 4.5 per cent, without any allowance for the several less easily calculated direct and overhead costs mentioned" (*American Housing* [New York: The Twentieth Century Fund, 1944], p. 251).

⁵ *Ibid.*, pp. 244-247.

adjusted to new conditions faced by the borrower at its expiration. Thus, in spite of its many advantages, the substitution of period partial payments for a lump sum has tended to increase the rigidity of the payment pattern and to increase steadily the borrower's risk as the loan is paid off.⁶

By frequent use of the device of dividing mortgage loans into two parts—one requiring amortization and the other lump-sum repayment (often with the possibility of renewal), the State Housing Loan Bureau and Home Ownership Administration have sought to find a way to preserve the advantages of the amortization payment plan, and at the same time lessen its disadvantages.

Subsidies are used in Sweden only for special social purposes—to benefit families with several children, pensioners and invalids, necessitous rural workers, etc. The state consistently passes on to the local communities a measure of the responsibility and initiative.

One additional form of quasi subsidy, the "supplementary loan," has come into existence as a consequence of Swedish rental policy. Determined to maintain rent controls, the government was, however, unable to prevent considerable increases in building costs during the war. To keep housing production at the desired level, the subsidy-like supplementary loans are used to cover "surplus costs," the difference between the actual cost of building and the capitalization of present annual earnings. If rents should in the future rise to the point where these surplus costs are covered, the government may attempt to recover its supplementary loans and to receive interest on them.

⁶ *Ibid.*, p. 247.

CHAPTER XI

The Changing Face of Sweden

EXCEPTIONAL SKILL has been shown by the Swedes in linking town planning and housing. Compare our photographs of recent urban developments with those of the preceding period. These photographs reveal that a revolution has taken place in Sweden—a revolution in taste and in social attitudes. Medieval mysticism and clannishness gave way to industrial ugliness; today the Swedish scene is becoming increasingly graceful, charming, rational. It evidences a strong sense of community. Perhaps most striking of all is its cleanliness and openness. Everywhere, surrounding the handsome new buildings, are green woods and parks or open water. The houses are accessible to the woods for walking or playing, to the hills for skiing in winter, to the water for swimming in summer. No country has shown more talent for relating buildings to sites.

While this modern development has been going on, respect has been shown for older landmarks, buildings, and monuments that connect contemporary Sweden with her rich past. The Swedes know that all that is old is not ugly. In Stockholm, for example, such buildings as the Royal Dramatic Theater, the Opera House, the Royal Palace, and the many old churches give the city much of its distinctive appeal. And who would want to see the medieval buildings and alleys of the “Old Town” disappear?

Most of the change in the setting of Swedish housing has been the result of legislation. The Swedish law on town planning, which has been in force since May, 1931, covers building in all urban areas and, in certain cases, rural communities. The

law provides that each town shall draw up an over-all plan to provide for building areas, streets, squares, parks and other commons; railroads, harbors, and other special traffic centers; sports districts; graveyards; and waterways. Allowance must be made for the future expansion of the town.

The Swedish law requires;

that town plans provide for the placing of different districts upon the most appropriate sites and terrain;

that consideration be given to the height of the ground and the possibility of water supply;

that residential quarters in different districts be separated by green belts;

that industrial districts be separated from residential districts by undeveloped land;

that adequate means of transportation connect the different parts of the city and also connect the city with outlying communities;

that streets be laid out with regard to traffic space, light and air, and protection from cold prevailing winds;

that parks, gardens, and sports places be arranged in different parts of the city;

that areas be available for residential building which are well oriented to the life of the city;

and that historically and aesthetically valuable buildings and city scenes, whenever possible, be preserved and not replaced without imperative reasons.

Town planning regulations state what types of buildings may be erected, how numerous they may be, how tall, how many dwelling-units each may contain, what types of materials may be used, and how the buildings shall be arranged. The regulations require that certain land be set aside, *within* a residential area, for parks and gardens.

No new building in cities or towns may be undertaken without first fitting the projected structure into the appropriate town plan. Before a person acquires land in Sweden, he must first make certain that, in accordance with existing town plans, he will be permitted to build on that land. In certain cases

RURBANISM

Lilla Essingen, Stockholm

Kidder Smith





Kjeller Smith

THREE-STORY WALKUP

Arsta, Stockholm

when the municipality is still working out its plan, a person may be prevented from building for one year—and that period may be extended if, after an examination, the government so decides. In some cases, on the appeal of a prospective builder, exemptions may be granted from these regulations against un-planned building.

Naturally, such a comprehensive approach to town planning and housing necessitates considerable interference with and regulation of the individual builder. The applicant for a building permit must present in writing:

proof that he has title to the land on which the building is to stand;

a chart showing the height of the planned building, the height of other buildings on the street, the width of the street, etc.;

a map showing the *desired* location of the building;

architectural plans and a description of the projected building;

and proof that the owner of the land assumes the responsibility of arranging for necessary exits and passages from the site and of paying assessments for street improvements.

These documents, with the application for a building permit, must be filed with the local agency representing the State Housing Loan Bureau. The local agency forwards the application to the County Labor Board (or, in Stockholm, to the Labor Administration), which reviews the application and sends it on to the State Labor Market Commission. That Commission examines the application or, in some cases, refers it to the Housing Commission of the Social Department.

The application then goes to the State Housing Loan Bureau, which decides how the proposed building fits into the general housing plan and also passes on its design, type of construction, building materials requirements, etc.

The State Housing Loan Bureau forwards the application, with its own report, either to the State Labor Market Commission or to the Housing Commission of the Social Department.

Final decision on the application is made either by His Majesty (that is, his government) or by the State Labor Market Commission. Which of these two authorities is to hand down the final word is settled according to the following formula:

His Majesty reserves the right of decision regarding, first, work on Government buildings and establishments; secondly, work for which a loan or subsidy is sought from His Majesty; and thirdly, work the cost of which is borne by loans from the community with the approval of His Majesty.

Other permits are the responsibility of the State Labor Market Commission. Certain decisions of the Commission, however, are subject to Governmental examination, as in cases where building costs amount to 500,000 kronor or more. Appeals from the Commission's decisions may also be brought up for His Majesty's examination.

Applications to be considered by the government are processed by the Housing Commission of the Social Department, the chairman of which is a minister in the government. Other members of the Housing Commission are the chairman of the State Labor Market Commission, the vice chairman of the State Industrial Loan Commission, the chairman of the State Housing Loan Bureau, a representative of Sweden's Employers' Association, a representative of the co-operatives and the vice chairman of the State Traffic Commission, when matters affecting traffic are at issue. All decisions on applications for building permits are communicated to the applicants through the State Labor Market Commission.

This sounds like a horrible amount of red tape—and indeed it is. "Going through channels" may sometimes be a long-drawn-out process. However, an applicant who wants to secure not only a building permit but also a housing loan or subsidy—as is generally the case—may get from the State Housing Loan Bureau a preliminary examination of his planned construction. The Bureau examines his application for both building permit and loan or subsidy. If the Bureau approves his application and grants the loan or subsidy, the applicant is virtually certain of receiving the approval of the other responsible

government agencies. Hence, in most cases, the greatest importance attaches to the role of the State Housing Loan Bureau in the actual granting of building permits.

Whether or not all the red tape is justified largely depends on what one thinks of the results of Sweden's planning for better housing. Thus far, those results appear to be extremely good, especially when contrasted with the jungle growth of housing in earlier periods.

As the materials and labor scarcities of the postwar period are left behind, and the national income, in accordance with the "Postwar Program," continues to increase, Sweden hopes that the housing of her people will grow in spaciousness as it has in beauty. The present trend of the population toward stability will make this task easier. After the housing shortage is ended, the ugly remnants of the years of speculative building will be torn down and replaced by handsome, widely spaced houses that may make the city-centers of Sweden as attractive as her suburban districts are today.

CHAPTER XII

Summary and Conclusions

IN THE MID-NINETEENTH century Sweden was a backward, predominantly agricultural country. The rise of modern industry resulted in the rapid growth of the population of her old cities and towns; this had a detrimental effect on housing conditions for the reason that, because of the lack of efficient local transportation and sometimes because of unfavorable factors of terrain, the new additions to the urban population pressed upon a relatively fixed amount of urban building space. Tight blocks of tenement houses were built to house the expanding urban population. Land values and rents rose, canceling out what improvements in housing standards might otherwise have resulted from the rise in real incomes. In rural districts conditions of extreme poverty caused great numbers of Swedish farmers and their families to emigrate to the United States and other countries. Fear of the consequences of continued heavy rural population losses gave rise to the first housing agency of the Swedish government, the Home Ownership Administration, established in 1904 for the purpose of granting loans for the construction of dwellings in the countryside. The government hoped to hold Swedes to their land by making them home owners. On the whole, however, the housing policy of the Swedish government before the first World War was one of *laissez faire*.

Though Sweden was a neutral during the first World War, she did not escape certain powerful economic strains. The cost of living, the level of money wages, rates of interest, and the prices of building materials all increased greatly. Rents, however, were rather sticky—a situation brought about, from

1914 to 1917, by "natural" causes, that is, by the existence of a widespread leasing system and by the relatively low original cost of most of the existing buildings. After 1917 the rise in rent levels was further limited by a government system of rent controls. As a consequence of inflated construction costs and relatively small increases in rents, profitability disappeared from investment in residential building, and the production of housing was virtually paralyzed.

An acute housing shortage developed because residential building did not take place at a rate sufficient to meet the increased demand for housing. During the first World War the Swedish government attempted to reduce the housing shortage by stimulating the production of housing through a system of subsidies. This program was ineffective because of the over-all weakness of the government's wartime economic controls. A subsidy program, in the absence of effective price and wage controls, rationing, and material allocation, is wasteful and tends to be inflationary. The degree to which subsidies, without other controls, are inflationary depends partly upon the general level of employment of men and resources (since, if the economy is operating close to its full capacity, the subsidies are required to bid factors of production away from other uses) but more especially upon the elasticity of the supply of the needed kinds of labor in the particular industry being subsidized. In addition, the inflationary effect of the subsidies will be diminished or increased by the *source* of the subsidies, that is, whether they are provided by government borrowing or by taxation—and if by taxation, whether the groups taxed have been forced to reduce their consumption or whether the taxation is concentrated upon higher income groups and simply activates "hoards."

Speculative building activity again became profitable following the deflation of 1921-23, since rents did not decline, while building costs and rates of interest did. The government discontinued its subsidy program in 1922 and its rent controls in 1923. Residential building boomed through the remainder of the twenties. But despite the high level of building activity

and the continued rise in rents while the prices of other consumers' goods declined, the Swedish housing shortage, carried over from the years of war and inflation, was only slightly lessened. The rise in rents was clearly insufficient to ration the available housing supply in a manner that would restore equilibrium to the housing market; this development appears to be attributable to the highly inelastic demand for housing, at least during times of prosperity.

The Great Depression reached Sweden in 1930 through her connection with world markets. The nation's export industries were the first and most severely affected. Residential building activity, however, remained at a high level during 1930-32, for the reason that the decline in building costs, which was far greater than the slight dip in the rent level, increased the profitability of building investments. Housing construction fell off in 1933, however, with the shrinkage in the effective demand for housing. Unemployment and reduced incomes "ended" the Swedish housing shortage—if a housing shortage is defined as a situation where virtually no additional dwelling space is available for those financially able to increase their consumption of dwelling-space—because many more rooms and apartments were thrown on the market by impoverished families who were forced to reduce their consumption of housing. The housing census of 1933 indicated that housing standards in Sweden during that year were about as low as they had been in 1913, although the worst extremes of overcrowding had been somewhat reduced by the sharp decline in the birth rate.

As part of its attack on the unemployment problem in 1933, the Swedish government sought to bring about an expansion of residential building. The government regarded building as a key industry from the standpoint of employment; to stimulate the building industry, it was thought, was to stimulate all economic activity. The use of residential building as an anti-cyclical device had the advantages of the speed with which production could be initiated and the ease with which public investments could be spread throughout the country. The Riksdag made substantial housing appropriations for the budget

THE "FRESH-AIR" DEVELOPMENT

Malmö

Jacobs Photo





Kidder Smith

PREFABS

Kvarnholmen, Stockholm

year 1933/34, primarily for the granting of subsidies for the construction of rural dwellings to replace substandard houses and for the improvement and repair of dwellings. The government also set up a loan fund to aid seasonally employed farm workers, lumbermen, fishermen, road-builders, and others in securing small dwellings on homesteads of their own, so that they might supplement their low incomes through small farming. For urban housing, the government provided credit at favorable terms for the construction of dwellings by private builders.

Sweden's depression was relatively short. As the level of employment rose in 1934, the motivation behind the anticyclical housing policy of 1933 diminished in importance. However, a new ulterior motive for state housing policy was soon discovered: the population problem. Public awareness of this problem followed the publication in 1934 of a book called *Crisis in the Population Question*, by Gunnar and Alva Myrdal. The authors drew attention to the imminence of Swedish population decline and maintained that such a decline would have a ruinous effect on the nation's economy, since it would seal off investment channels and cause the economy to stagnate. For example, it was argued that investment in residential building would decline, because a gradually diminishing number of households would require the production of fewer and fewer new dwellings.

The Myrdals' argument that population decline must be opposed led to governmental adoption of measures intended to curb the decline. One of these was a housing program that would encourage families to have more children. The Riksdag appropriated large sums as loans and subsidies for the production of dwellings for lower-income "child-rich" families and granted rental rebates to families occupying the new multi-unit houses. If the new state policy did little to stimulate reproduction, it did, by 1939, substantially improve the housing conditions of about one fifth of Sweden's urban families with three or more children.

Owing to general conjunctural conditions, rather than to

any state policies, residential building in Sweden expanded rapidly from 1933 to 1939. The expansion resulted from a one-third increase in total national real income and a one-third reduction of mortgage interest rates, while rents and building costs were virtually unchanged. In 1939 the annual production of dwellings was three times as great as it had been in 1933. Despite the high level of building activity, the rise in national income from 1933 to 1939 had brought back the housing shortage. In Stockholm, where the housing reserve had been 3.14 per cent of all dwellings in 1933, the percentage of vacancies declined to 0.98 per cent in 1939. There was a slight improvement in space standards from 1933 to 1939 and some quality improvement—about 90 per cent of all units built during the period were furnished with central heating.

The outbreak of the second World War brought a quick halt to the expansion of Swedish residential building. Though Sweden retained her traditional neutrality, her economy was again subject to intense wartime pressures due to the interruption of normal foreign trade and to the necessity of equipping and training an army to defend the nation against possible invasion. Residential building fell off rapidly in 1940 because of the steep rise in the rate of interest and the prices of building materials, while rents scarcely increased; insecurity regarding the nation's future, especially during the early years of the war when Sweden was a neutral island on what might have turned out to be a permanently Axis-dominated continent, doubtless played a role in curbing investments in residential building. Speculative housing production stagnated; private residential building fell from 43,000 urban dwellings built in 1939 to 6,000 in 1941.

In an effort to break the jam in building, the government forced down building interest rates by about one fifth in 1941 and appropriated funds for third-mortgage loans; however, the 1941 program was too weak, and residential building continued to decline. The reduction in the interest rate had been insufficient to compensate for the rise in building costs. Faced with the problem either of allowing rents to rise sufficiently to

make building profitable or of adopting subsidies to cover the difference between actual building costs and the receipts that could be expected from owning buildings at existing rent levels, the government elected the latter course. Rents were frozen at the June, 1942, level; and a broad program of building subsidies and loans was adopted, with interest rates on the loans held to an extremely low level. The program was successful in restoring residential building in 1942 to about one half its 1939 level.

The subsidy program during the second World War was greatly aided after 1942 by the tightening of the Swedish government's general economic controls. The cost of living was stabilized from 1942 until the end of the war at a level about 40 per cent above what it had been in 1939, and an effective system of rationing, wage stabilization, and material and manpower allocation was adopted. For the duration of the war residential building continued to expand annually; in 1945 the production of dwellings was almost at its 1939 level. But the Swedish government's wartime housing program was incapable of staving off another acute housing shortage, which was attributable to the stagnation of building during the early war years, the increase in money incomes while rents were unchanged, and the relative cheapness of housing when compared with other consumers' goods during the war.

Sweden's postwar housing policy has largely been a continuation of the wartime system of housing aids and controls over rents, building materials, and labor. The government has continued to function as the principal source of capital for residential building, financing over 90 per cent of all dwellings produced. Quasi-governmental agencies such as the City Mortgage Bank and the Housing Credit Institution issued loans against first and second mortgages. The State Housing Loan Bureau granted third-mortgage loans at low rates of interest and subsidy-like "supplementary loans" for residential building in urban areas. State subsidies went for the construction of housing for large families, old persons living on their government pensions, and invalids. Rental subsidies were paid to

families with three or more children living in approved dwellings. In rural areas the Home Ownership Administration granted loans and subsidies for the construction and renovation of owner-occupied dwellings. Since the end of the war the Swedish government has sponsored a program of technical research in housing which, it is hoped, will lead to a gradual reduction of building costs through the rationalization of the building industry, the large-scale purchasing of materials, the prefabrication of materials and parts, more efficient utilization of labor, better architectural planning, etc.

Through its financial controls and through a quota system for the long- and short-run planning of Swedish housing, the government intends to impose a rational order on future residential building. The aim of the government's program is to maintain Swedish housing production at a high, steady level of about 45,000 urban and 25,000 rural dwellings a year, until the housing shortage is ended in approximately 1950. As the need for new dwellings falls off during the 1950's, for reasons of demographic decline, the government plans to keep production and employment in the building industry at about the same high level by a program of replacing substandard housing, tearing down overdeveloped urban areas, and raising the average Swedish family's standard of housing. The stabilization of the building industry at a high level of output is regarded as one means of diminishing domestic business fluctuations as a whole and of offsetting fluctuations in foreign trade.

One difficulty with this program to stabilize production and employment in the building industry is that its initial phase is taking place during a period of overemployment, when Sweden is facing the threat of inflation and is attempting to regain her position in world trade and to modernize and expand her industrial structure. Residential building competes with other Swedish industries for the use of short materials, manpower, and fuel. The government has the problem of determining which types of production are most important for the national welfare. During 1940 there was division of opinion among leading members of the Social Democratic government as to the

share of national resources expendable on housing. For example, the former Minister of Commerce, Gunnar Myrdal, although an old advocate of a strong state housing program, nevertheless thought that it would be necessary to cut back the housing program for a while in order to push industrial production in other lines. On the other hand, the chief of the State Housing Loan Bureau, Alf Johansson, stressed the urgency of reducing the housing shortage and getting on with the long-run plans for the raising of Swedish standards of housing. With the housing problem a highly important issue in the September, 1946, elections, there were powerful political reasons for not reducing the residential building program; the quotas remained unchanged.¹ Building material shortages, however, appear likely to reduce the 1948 quota to about 35,000 urban dwellings.

The use of housing subsidies in Sweden gives rise to a number of questions. We must first, however, distinguish between two main forms of subsidy: (1) subsidies for *builders*, including direct grants, loans of superior public credit, interest subsidies, land grants, and tax exemptions; and (2) subsidies for *tenants*, in the form of rental rebates for families with several children and for pensioners. Subsidies are justifiable only when they work toward achieving some particular social aim. The objective of subsidies to builders is to stimulate housing production in order to end the housing shortage; the objective of subsidies to tenants is to provide better housing for certain disadvantaged groups—large families and old persons. Meanwhile, rigid rent controls are maintained for the society generally in order to protect the real income of the working class. But these various objectives of state policy may at times conflict with one another.

One example: the granting of rental subsidies to large families increases the effective demand for housing at a time when a housing shortage exists and hence may aggravate that

¹ This is not to suggest that the "Johansson line" was wrong; the determination of the alternative social costs of expanding housing or other types of industrial production in Sweden during the immediate postwar period is beyond the scope of this study.

shortage; however, the government's thinking, in this case, is dominated by considerations of population decline and social health and welfare, rather than by a concern for attaining an equilibrium between the supply of and the demand for housing (or, in other words, for liquidating the housing shortage).

A second example: rental subsidies go only to families who are already occupying a modern-standard apartment, and not to those living in old-fashioned, inadequate dwellings. This sometimes means that those families in greatest need of help receive no state aid at all, while those families relatively better off *are* benefited. But the thinking involved in this second case represents an attempt to reconcile other, somewhat conflicting objectives: in the short run to benefit large, needy families but in the longer run to stimulate the production of high-quality family dwellings. If rental rebates went to families living in substandard buildings, the state funds might benefit only the landlords, prolong the life of old buildings, and produce few new ones.

A third partial contradiction exists between the government's determination to control rents and its desire to stimulate housing production; the former desire aims at protecting the real income of the working class, the latter at liquidating the housing shortage. Now, other conditions being equal, rent controls tend to lengthen a housing shortage by keeping the demand for dwelling-space at an artificially high level and by reducing the profitability of residential building investment. The arguments for the lifting of rent controls, however, can easily be exaggerated by ignoring the relatively inelastic demand for housing in periods of prosperity and the typical stickiness of rents as compared with other prices, even without rent ceilings. The present Swedish government knocks out the "profitability" half of the argument for lifting rent controls by saying: "Very well, we shall do away with building for profit." The existing Swedish housing policy recognizes the fact that if a government wishes to hold down the level of rents and simultaneously increase housing production, it must undertake to reduce unit building costs and the rate of interest suffi-

ciently to compensate for the imbalance between receipts and building costs, or, if the short-run reductions in costs and interest charges cannot make up the difference, the government must be prepared to subsidize building activity.

A rate of interest fixed by the government below the market level is itself a form of subsidy. Some Swedish critics believe that it may be unwise for the government to force the rate of interest on building loans too low, because that might upset the commercial credit market, pull other interest rates down too far, and thereby increase the pressure on prices and produce structural maladjustments in the economy. It may therefore be preferable for the government to resort to forms of subsidy other than artificially low rates of interest.

However, as we have said above, in a period of full or overemployment, the danger exists that any subsidy may be inflationary, depending particularly on the elasticity of the supply of the necessary factors of production and the forms of borrowing or taxation used in transferring income from one social group to another or in changing national patterns of consumption from some goods to others. The continuance of effective economic controls may hold this inflationary pressure in check; from 1943 to 1947, under conditions approximating full employment, the Swedish government was successful in using subsidies and at the same time preventing significant price increases.

Subsidies discriminate against private investors in residential building. Since, as we have asserted above, the only justification for a subsidy is the specific social benefit it is intended to confer, a government can hardly be blamed for not using its subsidies to increase the profits obtainable from building investment. To a degree, then, Conservative Swedish criticism of the present Swedish housing policy as discriminatory and socialistic appears to be naïve. Still, one can well understand the hostility of Conservatives to a state housing policy which eliminates the profitability from residential building investment by the enforcement of rent controls and which then refuses to grant the loans and subsidies required to make housing pro-

duction possible on equal terms to private builders as to non-profit housing associations. Critics of this discrimination of course do not limit their case to ideological arguments but maintain that private builders are more efficient. The Swedish housing authorities discount such arguments, pointing out that their housing program is socialistic only to a limited extent, since the government, in co-operation with the local communities, controls only the financing and planning of housing developments, while the actual construction work is carried on by private contractors.

The Social Democrats have used the principle of housing property ownership and management by nonprofit enterprises as a strong political weapon. In Social Democratic propaganda the scapegoat for Sweden's low standard of housing is invariably the speculative builder. As is generally the case when scapegoats are being designated, this is an oversimplification. In this book we have clearly held no brief for the speculative builder; on the contrary, we have attempted to show the inadequacy of the housing provided in Sweden during periods of *laissez faire*. However, various social housing policies followed by the Swedish government during the first World War, during the depression, and during the second World War were incapable, despite their elimination of profit from the ownership and management of state-favored dwellings, of providing adequate housing at low cost. The nonprofit co-operatives, which have been in existence since the 1880's, have been unable significantly to improve Swedish dwelling *space* standards, despite their role in helping to bring about improvements in quality of dwellings and site-planning.

The main reasons for the rather low standard of housing in Sweden, in the past, have been low incomes, the long period of careless town planning when houses were allowed to be jammed together, the slow development of efficient local transportation, the inefficient and anachronistic organization of the building industry, and its backward methods of production. These factors, together with the wide cyclical and seasonal variations in building activity, during a long period of constant urban

population increase, have contributed to the chronic shortage of housing in Sweden.

The present Swedish housing program is intended to reduce or eliminate many of these causes of a low standard of housing. The short- and long-run planning of housing, implemented by a system of quotas, loans, and subsidies, should do much to eliminate cyclical fluctuations in building activity. Seasonal fluctuations have already been eliminated. A close coordination of housing with rational city planning will repair many blunders of the past. When the present housing shortage is ended, the worst eyesores—the overcrowded tenement districts—will be torn down and replaced. More new building will also take place in the suburbs. The program of technical research in housing and the encouragement given to standardization of materials, prefabrications of parts, etc., may contribute to the modernization of the building industry and bring about substantial reductions in the costs of building. The housing program cannot, of itself, do much to raise Swedish incomes—that goal, it is hoped, will be achieved through the over-all “Postwar Program of Swedish Labor,” although the technological improvement and the stabilization of the building industry will also work in that direction. However, the present Swedish housing policy *is* designed to raise the incomes of specific social groups—large families and government pensioners—by means of rental rebates and thereby to improve their standard of housing.

This many-sided housing program gives evidence of having profited from the mistakes of shortsightedness and timidity which characterized earlier Swedish social housing policies. Nevertheless, the determination of the state to pursue so many different objectives has meant a greater degree of intervention in the economy than many Swedish Conservatives like. Conflicts have sometimes developed, as we have seen, among various objectives of housing and other state economic policies; attempts to reconcile such conflicts thus far appear to have been made by rule of thumb, with the political attractiveness of some course of action taking precedence over a rational cal-

cultation of alternative costs. This need for political improvisation is, very likely, one of the chief handicaps of a "mixed" economy. A laissez-faire economy allows social preferences to be expressed through the interaction of the decisions of countless individuals; a totalitarian system, sacrificing democracy, can more ruthlessly effect the over-all rationalization of an economy for some particular objective, or objectives, which may or may not include an improvement in the standard of housing.

Social planners in a mixed economy are plagued with the task of finding their way through a maze of fearful complications which are the consequences of past policies and the determinants of future policies, of administering with a light hand in the interests of political democracy, of reconciling the conflicts among various objectives of state policies—which conflicts appear to be unavoidable in any modern, complex, democratic but class-differentiated society—and of making the adopted program sufficiently palatable to voters that the social planners may stay in office.

Nevertheless, when all the complications and difficulties have been pointed out, the fact remains that the Swedish approach to housing has already shown substantial results and offers great promise for the future. It is my conclusion that the Swedish program is along lines which can produce a genuine solution to the modern housing problem.

The possibility of raising individual real incomes enough to enable every family to secure a desirable dwelling under laissez-faire conditions appears exceedingly unlikely for many years to come. Adequate, healthful, attractive housing has been priced beyond the purchasing power of the many. Since poor and unhealthful housing is a hazard to the welfare of a nation, the attack on this problem must be a broad social one, with the government assuming the leadership. Town planning and housing planning, such as Sweden has adopted, offer solutions to two of the most serious drawbacks of laissez-faire housing: that cyclical and seasonal movements in building create the conditions of a chronic housing shortage and that social needs

are always secondary to maximizing profits and to making speculative gains out of housing.

Housing is more than a commodity; it is the world we inhabit, the framework within which take place the most important of our noneconomic activities—eating, sleeping, social and sexual intercourse, reading, thinking, playing. If building for profit has been incapable of providing an acceptable environment for social living and social progress, then some other approach to housing must be made.

The Swedish approach is being made in an economy that is predominantly capitalistic. There is no reason why a similar attack upon the housing problem cannot be made in this country. Such an approach does not spell the end of capitalism or private enterprise. In America, with its higher levels of income, it is unlikely that the abandonment of housing for profit need go nearly so far as in Sweden. Many families would still want and be able to afford the construction of homes beyond the space and quality standards provided by nonprofit organizations. The aim is to provide low-cost housing for the lower-income groups, not to convert the nation to socialism. Further, there is no reason why the same principles of government sponsorship and aid to nonprofit building associations could not be applied with more emphasis on the production of single- rather than multifamily dwellings, if that is what our people want.

It is significant that the housing legislation (S.866) introduced in the Senate of the United States by Senators Taft, Ellender, and Wagner makes specific provision for financing mutual co-operative housing or nonprofit housing associations along lines which parallel the Swedish program. Nonprofit housing associations, according to the bill, would serve that part of the community ineligible for public housing (and, in some cases, unwilling to live in public housing, which may seem to imply low social status) but priced out of the private enterprise housing market. This approach to the housing problem has already shown successful results in Sweden; there is no reason why it should not be equally successful here.

APPENDIX A

Statistical Tables

Note: An explanation of the figures for the "profitability of building" which occur in Tables 1-5 is required. Since no reliable data exist on the actual profits obtained by building or owning rental properties in Sweden during the periods covered, it has been necessary to calculate figures to indicate trends in profitability. For this purpose we have used the formula worked out by Professor J. Tinbergen¹ to indicate the rate of profit obtainable under varying levels of rent, interest rates, and building costs. On a priori grounds Tinbergen's formula assumes that, if the construction costs of a house are equal to 100, the annual returns from owning that property in the form of rent during a "normal" year will be equal to 8. From this rental return there must be deducted payments for amortization and maintenance, which, Professor Tinbergen assumes, will be equal to 2, and interest payments on the mortgage, equal to 0.7 times the rate of interest. The result of subtracting these deductions from the rental returns will yield the rate of profit (as a percentage of 100, the original cost of the property). Tinbergen's formula thus becomes:

$$\text{Profitability} = .08 m_r - (.007q_b m_{lb}) + .02q_r$$

where m_r = the level of rents

q_b = construction costs

m_{lb} = the long-term rate of interest

q_r = maintenance costs.

Maintenance costs are assumed to vary directly with the index of construction costs; therefore, the same figure is used for computing construction and maintenance costs.

¹ Jan Tinbergen, *Statistical Testing of Business Cycle Theories. A Method and Its Application to Investment Activity* (Geneva: League of Nations, 1939), pp. 90-93.

The rates of profit calculated on the basis of this formula will not be conclusive when taken separately, nor can they be considered an accurate guide to the *actual* rate of profit in any given year; however, because a consistent method of interrelating changes in levels of rent, rates of interest, and construction costs has been used, the profitability percentages should be reliable as indicators of *changes* in the profitability of residential building.

TABLE I
THE DATA, 1880-1913

Year	Number of Rooms Built	Percentage of Dwellings Vacant	Rent Index	Cost-of-Construction Index	Long-Term Interest Rate	Profitability of Building	National Income	Cost-of-Living Index	National Real Income
	000's	%	1861-70 = 100	1861-70 = 100	%	%	Million Kr.	1861-70 = 100	Billion Kr. 1861-70
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1880.....	5.3	...	...	107	5.8	...	286	...	...
1881.....	7.6	...	...	107	5.8	...	304	...	...
1882.....	9.4	3.0	...	108	5.7	...	318	106	.31
1883.....	8.0	3.6	112	112	5.7	2.26	332	105	.31
1884.....	10.5	4.2	116	112	5.7	2.58	332	101	.35
1885.....	10.8	4.8	118	110	5.6	2.93	349	96	.36
1886.....	6.8	5.4	112	108	5.6	2.56	345	92	.38
1887.....	6.1	6.2	105	105	5.4	2.33	350	88	.41
1888.....	6.3	5.1	100	109	5.1	1.92	355	91	.42
1889.....	5.4	3.9	95	109	4.9	1.68	381	96	.43
1890.....	7.6	6.5	95	112	4.7	1.60	411	98	.43
1891.....	4.2	5.1	94	109	4.8	1.67	418	101	.43
1892.....	1.7	5.0	93	107	4.9	1.62	425	99	.43
1893.....	0.9	3.5	93	106	4.8	1.68	432	95	.47
1894.....	2.5	1.6	95	100	4.8	2.24	448	90	.52
1895.....	4.0	1.6	100	114	4.6	2.04	465	92	.54
1896.....	6.3	0.8	107	117	4.5	2.54	495	91	.59
1897.....	4.5	1.2	107	119	4.4	2.52	538	94	.64
1898.....	6.2	0.3	120	124	4.4	3.30	601	98	.67
1899.....	7.1	1.8	135	131	4.8	3.79	660	103	.70
1900.....	4.2	1.1	138	125	5.1	4.08	716	104	.73
1901.....	4.3	1.6	138	115	5.3	4.47	764	101	.76
1902.....	5.3	1.4	132	117	5.1	4.03	765	102	.81
1903.....	9.9	2.8	135	136	4.9	3.46	831	104	.87
1904.....	12.2	3.5	139	127	4.9	4.23	895	103	.91
1905.....	8.6	2.3	141	138	4.9	3.79	944	105	.97
1906.....	11.1	1.0	145	139	5.0	3.94	1017	107	1.07
1907.....	11.0	1.0	160	155	5.3	3.95	1145	113	1.11
1908.....	7.0	1.6	175	145	5.5	5.53	1245	114	1.11
1909.....	8.7	2.2	176	148	5.4	5.46	1268	113	1.11
1910.....	7.8	2.4	169	151	5.2	5.00	1254	113	1.28
1911.....	5.7	2.4	166	144	5.1	5.25	1446	112	1.36
1912.....	8.9	2.0	172	160	5.0	4.95	1519	119	1.39
1913.....	12.4	3.6	169	160	5.1	5.10	1655	119	....

(1) Total number of newly built rooms or kitchens in Stockholm (*Statistical Abstract for Stockholm*). Since 1906, adjusted for change in scope.

(2) Number of rooms vacant on December 31 as a percentage of total (*Statistical Abstract for Stockholm*); 1883-87; estimated.

(3) and (4) Myrdal, *The Cost of Living in Sweden 1830-1930*.

(5) Interest rate of Swedish savings banks (Lindahl, *National Income of Sweden 1861-1930*).

(6) Calculated according to Tinbergen's formula.

(7) *Sveriges statistisk årsbok*.

(8) Myrdal's index.

(9) Assessed income of following year, divided by cost-of-living index. Reproduced from Tinbergen, *A Method and Its Application to Investment Activity*, p. 154.

TABLE 2
THE DATA, 1914-1923

Year	Rooms Built	Rent Index (1914=100)	Index of Building Costs (1914=100)	Savings-Bank Interest Rate %	National Income Million Kr.	Real Income Per Head Kr.
	(1)	(2)	(3)	(4)	(5)	(6)
1914.....	25,304	100	100	4.58	3744	105.0
1915.....	17,111	...	120	4.85	4365	106.5
1916.....	18,240	108	140	4.76	5411	114.5
1917.....	19,168	112	170	4.55	6604	108.0
1918.....	14,171	112	240	4.97	8608	99.0
1919.....	14,360	130	295	5.08	9977	99.5
1920.....	14,412	155	325	5.16	11676	114.0
1921.....	19,840	163	290	5.47	8197	91.5
1922.....	21,912	163	210	4.29	7194	100.0
1923.....	34,006	178	210	4.01	7264	106.5

Year	Cost-of-Living Index (1914=100)	Percentage of Dwellings Vacant %	Profitability of Building %	Speculative Building (dwelling-units)	Non-profit Building (dwelling-units)	Total Residential Building (dwelling-units)
	(7)	(8)	(9)	(10)	(11)	(12)
1914.....	100	3.29	+2.79	4,769	564	5,333
1915.....	...	3.91	....	3,101	458	3,559
1916.....	139	3.10	+1.18	3,157	775	3,932
1917.....	166	0.69	+0.15	1,986	2,862	4,848
1918.....	242	0.18	-4.19	1,186	2,435	3,621
1919.....	257	0.11	-5.97	974	2,127	3,101
1920.....	281	0.09	-5.84	990	1,154	2,144
1921.....	231	0.07	-3.86	1,737	2,481	4,218
1922.....	190	0.12	+2.54	2,435	752	3,187
1923.....	177	0.13	+4.14	4,819	1,221	6,040

(1) Lindahl et al., *National Income of Sweden*, Part II, p. 340.

(2) *Sociala meddelanden*, 1945, No. 10, pp. 876-877. Data for 1915 are lacking.

(3) Lindahl et al., *National Income in Sweden*, Part II, p. 341.

(4) Average rate of interest on deposits in Swedish savings banks (Bagge et al., *Wages in Sweden*, p. 259).

(5) Lindahl et al., *National Income of Sweden*, Part I, pp. 234-235. Figures are Lindahl's Alternative I.

(6) Real income per head on 1910-13 basis as given in *National Income in Sweden*: adjusted by Colin Clark, *Conditions of Economic Progress*, p. 87.

(7) Social Board Cost of Living Index, *Sociala meddelanden*, 1945, No. 10, pp. 876-877.

(8) *Statistisk årsbok för Stockholms stad*, 1945, p. 137.

(9) Calculated according to Tinbergen's formula.

(10) (11) (12) K. G. Tham, *Hyresmarknad och hyresreglering*, 1914-34, p. 362.

TABLE 3
THE DATA, 1924-1936

Year	Rooms Built in 296 Cities (1)	Rent Index 1914=100 (2)	Building Costs 1913=100 (3)	Savings- Bank Interest Rate % (4)	Profitabili- ty of Building % (5)	National Real Income (billions) (6)
1924.....	40,000	180	216	5.5	1.8	2.78
1925.....	42,300	186	219	5.6	2.0	2.82
1926.....	43,500	188	215	5.5	2.4	2.96
1927.....	43,900	196	213	5.4	3.3	3.07
1928.....	46,700	199	210	5.5	3.6	3.10
1929.....	46,400	200	209	5.5	3.7	3.34
1930.....	59,500	204	208	5.2	4.5	3.48
1931.....	59,300	206	201	5.2	5.2	3.36
1932.....	52,700	206	194	5.3	5.4	3.12
1933.....	40,200	203	192	4.7	6.6	3.39
1934.....	51,200	202	191	4.4	6.6	3.39
1935.....	76,700	199	193	3.9	6.7	3.70
1936.....	86,900	197	193	3.5	7.2	3.90

(1) Gross increase in number of rooms or kitchens in 296 cities (Lindahl *et al.*, *op. cit.*, and *Sociala meddelanden*, No. 7, 1937). Adjustments have been made because number of cities varied slightly.

(2) *Statistisk årsbok för Sverige*, 1938.

(3) *Index*, Svenska Handelsbanken.

(4) *Svenska Sparbank Föreningen*. *Statistisk årsbok för Sverige*, 1938.

(5) Computed by Tinbergen's formula.

(6) Total national income divided by cost-of-living index, 1914 = 100 (*Statistisk årsbok för Sverige*, 1938).

TABLE 4
THE DATA, 1933-1939

Year	National Income (not including domestic work) 000,000's Kr.	Cost-of-Living Index 1914=100	Rental Index 1914=100	Bldg. Cost Index 1913=100	Bldg. Materials Index 1913=100	Bldg. Wages Index 1913=100	Mortgage Interest Rate %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1933.....	6,580	154	202	216	144	323	4.21
1934.....	7,370	155	201	201	155	269	3.62
1935.....	8,060	157	198	202	158	268	3.03
1936.....	8,660	157	196	203	156	276	3.03
1937.....	.....	165	195	232	196	276	2.95
1938.....	10,700	167	196	228	177	305	2.86
1939.....	11,500	171	198	232	183	305	2.83

Year	Urban Housing Prod. (dwelling-units)	Index of Urban Housing Prod. 1933=100	Housing Reserve in Stockholm (% of vacancies)	Profitability of Bldg. %	National Income at 1913 Prices 000,000's Kr.	Workers Unemployed
	(8)	(9)	(10)	(11)	(12)	(13)
1933.....	15,000	100	3.14	3.4	4,253.2	164,000
1934.....	20,000	133	2.90	3.7	4,754.8	115,000
1935.....	30,000	200	2.12	3.6	5,133.7	52,000
1936.....	33,500	223	2.29	3.4	5,515.9	36,000
1937.....	33,500	223	1.58	2.3	.....	18,000
1938.....	38,000	253	0.97	2.7	6,407.2	16,000
1939.....	45,000	300	0.98	3.1	6,725.1	17,500

(1) E. Lindahl, *Kreditaktiebolaget*, Stockholm, July, 1937; *World Economic Survey* 1939/41 (Geneva, 1941), p. 80.

(2) *Sociala meddelanden*, 1945, No. 10, pp. 876-877.

(3) *Ibid.*

(4) (5) (6) H. Dickson, *Statens kommitté för byggnadsforskning*, Medd. No. 4, 1946, p. 10.

(7) Savings Bank Mortgage Loan Rate, from Monetary Review of the League of Nations, *Money and Banking*, 1938/39, p. 144.

(8) (9) *Byggnadsverksamhet och bostadsbehov*, Stockholm, 1945, p. 31.

(10) *Statistisk årsbok för Stockholm stad*, 1945, p. 137.

(11) Profitability calculated after Tinbergen's formula.

(12) Col. (1) divided by Col. (2).

(13) *Statistisk årsbok för Sverige*, 1946, p. 246.

TABLE 5
THE DATA, 1939-1945

Year	Total Wages Bill 1939 = 100	Cost-of-Living Index 1939 = 100	Rental Index 1939 = 100	Total Building Costs 1939 = 100	Building Materials 1939 = 100
	(1)	(2)	(3)	(4)	(5)
1939.....	100	100	100	100	100
1940.....	100	114.8	100	117.1	125.5
1941.....	113	129.6	102	120.9	130.6
1942.....	128.7	140.8	101	127.3	144.9
1943.....	122.3	141.7	102	138.8	161.9
1944.....	129.4	143.5	102	139.2	162.6
1945.....	149.3	143.5	102	140	161.1

Year	Building Wages 1939 = 100	Building Interest Rate Index 1939 = 100	Residential Building Index 1939 = 100	Profitability of Building %	Indus. Bond Interest Rate %
	(6)	(7)	(8)	(9)	(10)
1939.....	100	100	100	3.6	3.43
1940.....	105.3	129.5	44.4	.91	5.8
1941.....	107.8	106.5	26.6	2.0	4.3
1942.....	105.8	97.7	51.1	2.24	3.7
1943.....	111.0	97.7	73.3	1.92	3.6
1944.....	111.3	97.7	79.9	1.9	3.6
1945.....	113.3	83.1	93.2		

(1) Total wages within industry and commerce (*Sociala meddelanden*, 1946, No. 1, p. 81).

(2) Cost-of-Living Index of the Swedish Social Board (*Sociala meddelanden*, 1946, No. 1, p. 46).

(3) *Ibid.*

(4) Building Cost Index of the Swedish Social Board (*Sociala meddelanden*, 1946, No. 11, p. 963).

(5) *Ibid.*, p. 963.

(6) *Ibid.*, p. 963.

(7) *Index, Svenska Handelsbanken*, No. 168, June, 1946, p. 27.

(8) *Statens offentliga utredningar* 1946: 63, p. 202.

(9) Calculated by Tinbergen's formula.

(10) *Index, Svenska Handelsbanken*, No. 168, June, 1946, p. 27.

TABLE 6

RIKSDAG HOUSING APPROPRIATIONS, 1933/34-1939/40

	BUDGET-YEAR APPROPRIATIONS IN SWEDISH KRONOR (in 000's)							Total
	1933- 1934	1934- 1935	1935- 1936	1936- 1937	1937- 1938	1938- 1939	1939- 1940	
1. For Improvement of Housing in Rural Areas:								
Figures for first two budget years, including appropriations for new building.....								
	10,000	5,000 ¹	8,000 ²	5,500	5,500	2,500	3,250	39,750
Supplementary grants.....	8,000					1,500	1,500	11,000
New building loans.....			2,000	2,000	3,000	3,000	1,000	11,000
Improvement loans.....							2,000	2,000
Total.....	18,000	8,000	7,000	7,500	8,500	7,000	7,750	63,750
2. For Improvement of Houses of Agric. Workers:								
Loan fund for agricultural workers.....			250	300	400	300		1,450
Loans for construction or improvement of agric. workers' houses (this carries over the loan fund which was abolished in the budget year 1938/39).....							3,000	3,000
Total.....			250	300	400	300	3,000	4,450
3. For Housing Families with Several Children:								
Family subsidies.....			500	650	1,000	1,500	1,700	5,350
Loan fund for housing of lower-income families with children.....			10,000	15,000	5,000		5,500	35,500
Total.....			10,500	15,650	6,000	1,500	7,200	40,850
4. For Housing in Urban Areas:								
Loans for housing construction in cities and towns.....	5,000							5,000
Loan fund for urban housing (the above activities were continued through a special loan fund starting with the budget year 1935/36).....			3,000	2,000	1,500	1,000	1,500	9,000
Third-mortgage loans for certain types of residential building.....					500	500	750	1,750
Total.....	5,000		3,000	2,000	2,000	1,500	2,250	15,750
5. For Housing Pensioners:								
Subsidies for construction of pensioners' homes.....							1,000	1,000
Grand Total.....	23,000	8,000	20,750	25,450	16,900	10,300	21,200	125,800

¹ Of this amount, 1,500,000 kronor was set aside for housing of agricultural labor.

² Of this amount, 1,000,000 kronor was set aside for housing of agricultural labor.

SOURCE: 1940 Riksdag's Housing Proposition (No. 237), cited by Ekdahl and Gustavsson, *op. cit.*, pp. 24-25.

TABLE 7
RIKSDAG HOUSING APPROPRIATIONS, 1940/41-1944/45

	BUDGET-YEAR APPROPRIATIONS IN SWEDISH KRONOR (in 000's)					
	1940/41	1941/42	1942/43	1943/44	1944/45	Total
<i>For Improvement of Housing in Rural Areas:</i>						
Improvement subsidies	3,750	20,000	5,000	10,000	7,500	46,250
New building loans	3,500	11,000	.....	.....	2,700	17,200
Improvement loans	2,500	11,000	.....	.....	2,700	16,200
Total	9,750	42,000	5,000	10,000	12,900	79,650
<i>For Improvement of Houses of Agricultural Workers:</i>						
Loans for building or improving of agricultural workers' houses . . . . .	.....	3,000	.....	.....	1,000	4,000
Total . . . . .	.....	3,000	.....	.....	1,000	4,000
<i>For Housing Families with Several Children:</i>						
Family subsidies	2,400	3,250	4,500	6,000	7,000	23,150
Loan fund for housing of lower-income families with children	12,000	20,000	22,500	30,000	45,000	129,500
Supplementary loans . . . . .	.....	.....	6,500	6,500	8,000	21,000
Total	14,400	23,250	33,500	42,500	60,000	173,650
<i>For Housing in Urban Areas:</i>						
Third-mortgage loans	21,000	60,000	35,000	80,000	160,000	356,000
Supplementary loans . . . . .	.....	.....	27,000	31,300	35,000	93,300
Total	21,000	60,000	62,000	111,300	195,000	449,300
<i>For Housing Pensioners:</i>						
Subsidies for construction of pensioners' homes	500	3,000	3,000	6,000	9,000	21,500
Grand Total	45,650	131,250	103,500	169,800	277,900	728,100

SOURCE: Ekdahl and Gustavsson, *op. cit.*, pp. 40-41.

TABLE 8
 THIRD-MORTGAGE AND SUPPLEMENTARY LOANS GRANTED
 DURING BUDGET YEARS 1942/43-1946/47
 (in Kronor)

Third-Mortgage Loans	Single-Family Houses	Multifamily Houses	Total
1942/43	3,421,455	16,229,090	19,650,545
1943/44	9,543,432	27,536,275	37,079,707
1944/45	16,171,455	64,814,835	80,986,290
1945/46	25,935,702	109,725,684	135,661,386
1946/47	32,183,509	87,259,040	119,442,549
Supplementary Loans			
1942/43	424,862	525,725	950,587
1943/44	2,176,484	7,278,027	9,454,511
1944/45	4,478,028	21,234,147	25,712,175
1945/46	7,693,146	19,721,670	27,414,816
1946/47	9,541,373	14,135,606	23,676,979

SOURCE: State Housing Loan Bureau.

TABLE 9
ESTIMATE OF PRODUCTION OF ROOMS AND DWELLING-UNITS,
SWEDEN, 1860-1913

Period	Houses Built ¹	Alternative I Rooms per House	Alternative II Rooms per House	Alternative I Rooms Built	Alternative II Rooms Built
1861/65	1700	10	15	17,000	25,500
1866/70	1500	10	15	15,000	22,500
1871/75	1900	15	15	28,500	28,500
1876/80	3300	15	20	49,500	66,000
1881/85	3200	20	20	64,000	64,000
1886/90	3000	20	20	60,000	60,000
1891/95	2900	20	20	58,000	58,000
1896/1900 . .	4000	20	20	81,000	81,000
1901/1905 . .	5300	20	20	100,000 ²	100,000 ²
1906/1910 . .	4900	24	24	120,000 ²	120,000 ²
1911/1913 . .	....	24	24	76,000 ²	76,000 ²
				669,000	701,500

Number of Rooms Built, Alt. I: 669,000

Number of Rooms Built, Alt. II: 701,500

Number of Apts. Built, Alt. I: 334,250

(Rooms divided by 2, average
size of Apt., 1860-1913)

Number of Apts. Built, Alt. II: 350,750

¹ County Governments' Quinquennial Reports, 1865-1910.

² Social Board residential building series, 1912-1913.

TABLE 10
FOREIGN EXCHANGE RATES, UNITED STATES AND SWEDEN

Period	Kronor = \$1
1911/13	3.75
1914/15	3.83
1916/20	3.72
1921/25	3.91
1926/30	3.73
1931/35	4.39
1936/40	4.04
1941/45	4.20
1946/48	3.60 ¹

¹ On July 5, 1946, the Swedish government raised the value of the krona from 4.2 kronor = \$1 to 3.60 kronor = \$1.

SOURCE: *Statistisk årsbok för Sverige*.

APPENDIX B

The Stockholm Plan for Cottage Building by Families

In the autumn of 1926 the Stockholm City Council approved a plan according to which small, semiprefabricated cottages were to be built by their future owners. This plan, which is still in existence, assumes that any tradesman or artisan is able, with a little instruction, to do the necessary excavation work, prepare the forms for pouring the foundations, erect the frames of the buildings, and do most of the other construction work. The City of Stockholm supplies the building materials, gives directions for the work, and makes the necessary contracts for skilled labor, such as plumbing, electric wiring, sheet-metal work, etc.

The cottage builder is regarded as an independent building contractor, with full responsibility for the enterprise. He is not unconditionally bound by the contracts which the city makes for building materials, but may, if he prefers, procure his own materials, if he can get them cheaper. In practice, however, the cottage builder rarely buys his material anywhere else than from the city. Nevertheless, he is free to do so, and the city prefers that he should enjoy a certain freedom in this respect, as the city very definitely holds to the concept of the cottage builder as his own building contractor. No claim can then be brought against the city on the ground that the building is defective. It is the builder's own responsibility to make sure that defects do not exist. Moreover, with the cottage builder as contractor, the position of the city is strengthened as regards the trade unions. The city can claim with full justification that it is not to be regarded as the building contractor; in the city's dealings with union labor, this position has been strongly maintained.

After his application to erect a cottage has been approved, the

¹This material is extracted from a booklet, *Cottage Building at Stockholm*, by Axel Dahlberg, Estates Manager, Stockholm, published by Esselte Aktiebolag, Stockholm, 1939.

builder has only to attend to the work of building and is relieved by the city of all problems regarding the technical and financial details connected with the work. The material required is conveyed to the site by the city, and the specialized labor is provided by the city.

Standardization of materials was early recognized as necessary for carrying through a cottage-building scheme. Materials standardized included:

- (1) all woodwork, except for paneling in the attics and basements,
- (2) material for the chimney sections,
- (3) all reinforcement steel, supplied to the builder cut to size and bent,
- (4) all furnishings,
- (5) wrought ironwork for banisters and balcony balustrades, etc.

The frame of the building, made in one piece, is manufactured after a special plan worked out by the city.

The walls are supplied in ready-fitted sections with the inside and outside skins nailed on and with door and window frames inserted, the doors and windows being already hung and furnished with fittings. The sills are ready-made, with slots cut out to take the floor beams. False bottoms are supplied in the openings for laying directly on the lists of the floor beams. The roof trusses are so cut that they need only to be joined and erected. The roofing is made in complete sections. Inside staircases arrive accurately templated for fitting in their places.

The kitchen fittings and cupboards come ready-made.

Material for chimneys is standardized. The building of chimneys with ordinary brick of course demands a certain trained experience; the city has therefore designed a chimney type consisting of breeze blocks in which are embedded a circular brick pipe which serves as flue, and two hollow rectangular sections of concrete which together form four evacuation channels. The blocks weigh about 100 pounds and are thus not too heavy for one man to handle alone. This design is now applied to all cottages, except those where the builder wants an open fireplace, in which case an additional flue is required in the chimney. By decision of the building committee, this sectional chimney, unlike the ordinary brick chim-

ney, may be laid against wooden walls, though it must be insulated from them by double layers of .2-inch asbestos sheet.

In recent years standardized sheet metal furnishings for the chimneys have also been designed. All reinforcement steel is supplied in suitable lengths and comes ready-bent.

The steps are cast without supports in forms which are ready for erection. The balustrades are also standardized and may be fixed in the forms before pouring.

The pipes for water and drainage and the gas and electrical connections may, under existing regulations, be installed only by approved contractors. Such installations, therefore, cannot be made by the cottage builder, but the city makes contracts with suitable contractors for the builder. The heating installation is also usually done by contractors.

Usually, it is sufficient to cast a fairly narrow sole as support for the foundation walls, in which case this is done by the builder. Where rock is encountered, blasting is done by the city, the builder's account being charged with an amount equal to the expense which would have been incurred had a corresponding amount of earth been removed. Because of the nature of the ground in the Stockholm region, reinforcement of the subsoil is fairly often required through pile driving or the pouring of concrete foundations. This work is also done by the city, and the builder is debited only with an amount equivalent to the charge for ordinary foundation laying. These additional expenses incurred by the city are distributed among ground sites generally, so that sites of equal value are available to all builders.

The types of cottages handled by Stockholm are rather severely restricted in number. The whole system, indeed, is based on standardization and simplification carried to great lengths. Three main types are used: two are one-story cottages, both with three rooms and kitchen, but different floor spaces; the third and largest type contains four rooms and kitchen and is built on two floors.

The cottages are fully modern dwellings, provided with running water, gas and electrical connections, and drainage facilities. They have central heating from boilers in the basement, and bathrooms connected with wash-houses in the basement. Large numbers have been provided with garages. All have fully built basements, with good space for workshops.



C. G. Rosenberg

“STOCKHOLM PLAN” COTTAGES

Raising the wall-blocks



C. G. Rosenberg

“STOCKHOLM PLAN” COTTAGE

Three rooms and kitchen

The sizes of several different cottage types and the space within them are shown in the following table:

Type	V	VI	VIII	XII	XIII
Foundation area, sq. ft.	617.6	743.5	501.4	906.0	906.0
Volume, including basement, cu. ft.	11,809.6	14,256.0	14,051.8	20,099.2	20,099.2
Number of rooms	4	4	5	4	5
Number of floors	1	1	2	1	1
Usable area, sq. ft.:					
Ground floor:					
Kitchen	88.2	88.2	122.7	93.6	93.6
Room 1	166.8	224.9	258.2	270.0	226.0
Room 2	64.5	92.5	.....	203.3	87.1
Room 3	105.4	133.4	.....	127.0	127.0
Room 4 . . . . .	.....	.....	.....	.....	110.8
Upper floor:					
Room 1 . . . . .	.....	.....	81.8	.....	.....
Room 2 . . . . .	.....	.....	133.4	.....	.....
Room 3 . . . . .	.....	.....	65.6	.....	.....
Landing . . . . .	.....	.....	87.1	.....	.....
Entrance hall, sq. ft.	74.2	73.1	47.3	104.4	104.4
Lavatory, sq. ft.	14.0	14.0	17.2	17.2	17.2
Clothes closets, sq. ft.	24.7	27.0	18.3	15.1	19.3
Total usable area (including half basement)	796.2	985.6	1,083.5	1,232.0	1,232.0

Building costs for the cottages, in 1939, amounted to about 11,600 kronor for the smaller 3-room cottage, 12,600 kronor for the larger, and 13,700 kronor for the cottage with 4 rooms and kitchen (or about \$2,900, \$3,150, and \$3,550 respectively). The annual outlay in 1939, inclusive of all expenditures customarily regarded as rent, amounted for these types to 900, 985, and 1,100 kronor respectively. These figures should be regarded against the background of rents in Stockholm itself, which in 1939 averaged 1,100 kronor for one room and a kitchen, 1,500 kronor for two rooms and kitchen, and 2,000 kronor for three rooms and kitchen. In addition, it should be remembered, the private cottage builder also has a garden.

Town planning for these developments has taken into consideration the problem of communications. All existing and planned developments are within thirty minutes of the center of town by streetcar or bus.

Plans have usually called for slightly curving streets. Where

a cottage development has been laid out over broad fields, the aim has been to avoid uniformity of spacing; this has been done partly by leaving open spaces for games and recreation. Wading pools have often been built for the children.

The standard size of plot is, as a rule, something over 5,000 square feet. Ground sites are not sold outright, but are leased out by the city. The ground rent for a site of 5,650 square feet in 1939 amounted to 210 kronor (\$53) per year.

The most varied occupations are represented among cottage builders. Apparently, anyone with some ability can build a cottage for himself; it is by no means unusual for clerical workers to present applications to build and to do very good work. This claim is occasionally denied by union workers, but the municipal authorities are satisfied with the results attained. The cottages must of course pass the rigid building regulations.

Of all builders, some 60 per cent were manual and factory workers; about 20 per cent were policemen, firemen, street car conductors, truck-drivers, foremen, etc.; the remainder were minor civil servants, clerks, army officers, etc.

About 500 cottages were produced each year in Stockholm, after the program hit its stride. By 1939 over 3,500 had been built, housing approximately 12,500 persons.

Surprisingly few of the cottages have had to be foreclosed and sold. By 1939 the city had had to take over by executive sale only 78 of them.

LIVING ROOM OF A "STOCKHOLM PLAN" COTTAGE

Stone Sundahl

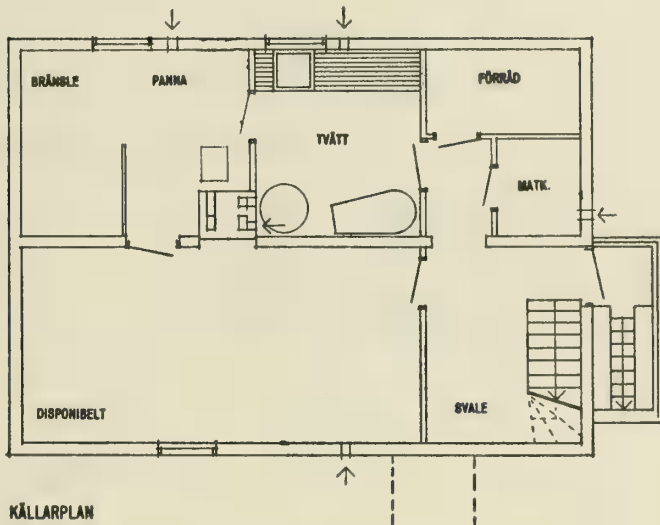
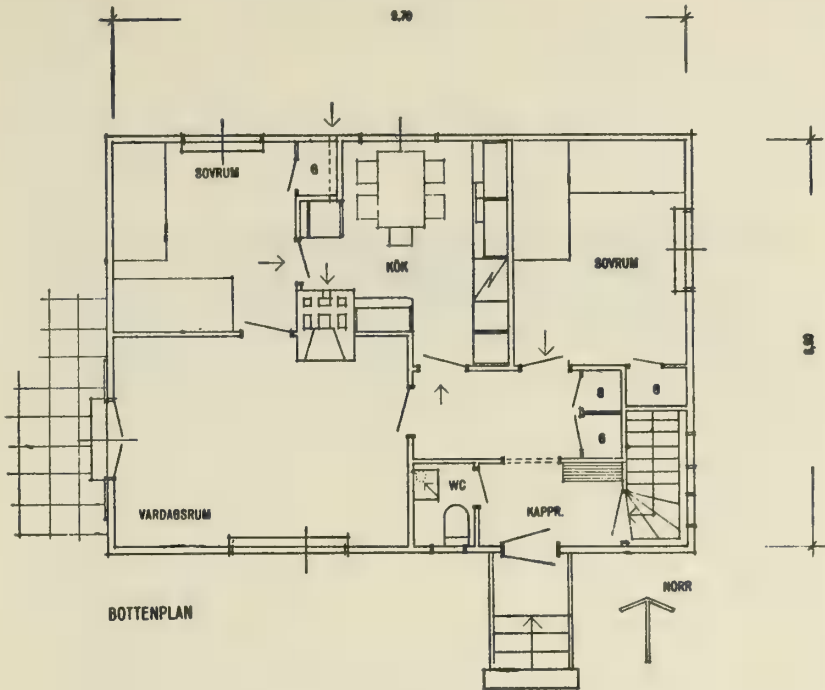




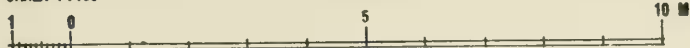
Kiddler-Sonoff

“STOCKHOLM PLAN” COTTAGES

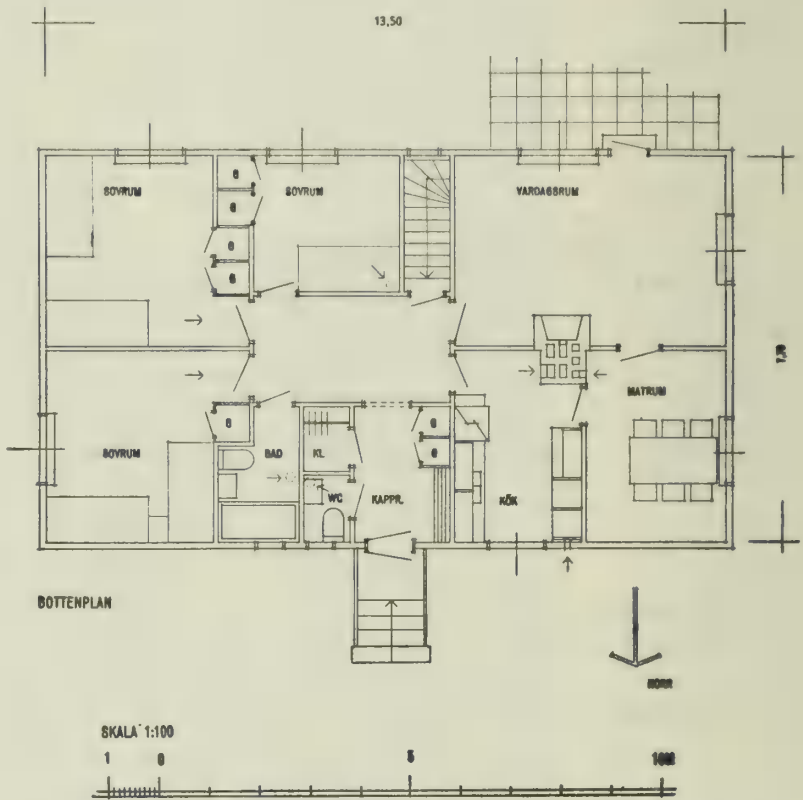
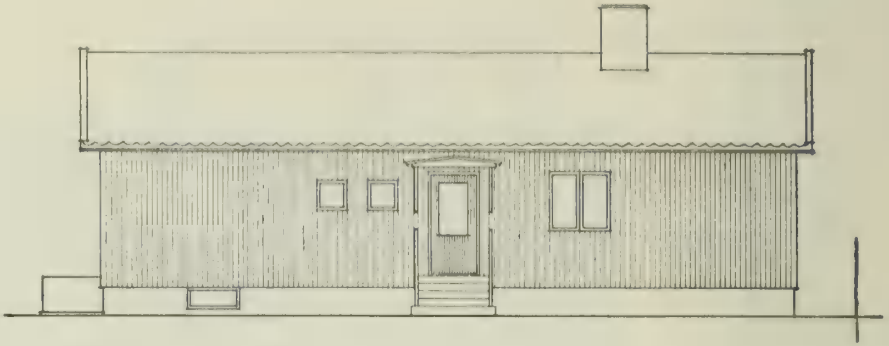
Olavsund



SKALA 1 : 100



A STOCKHOLM COTTAGE—FLOOR PLAN AND CELLAR



A STOCKHOLM COTTAGE—FRONT ELEVATION AND FLOOR PLAN

GLOSSARY TO FLOOR PLANS OF
STOCKHOLM COTTAGES

- Bad*—bath
Bastu—Finnish steam bath
Bottenplan—floor plan
Bränsle—fuel
Disponibelt—disposable area (i. e., for workshop, garage, etc.)
Förråd—storage
Källarplan—basement plan
Kappr.—cloak-room
Kl.—closet
Kök—kitchen
Matk.—larder
Matrum—dining room
Panna—heater room (central heating)
Skala—scale
Svale—cellar entrance
Sovrum—bedroom
Tvätt—laundry
Vardagsrum—living room

APPENDIX C

Excerpts from the Taft-Ellender-Wagner Housing Bill

TITLE I—DECLARATION OF NATIONAL HOUSING POLICY

SEC. 101. The Congress hereby declares that the general welfare and security of the Nation and the health and living standards of its people require a production of residential construction and related community development sufficient to remedy the serious cumulative housing shortage, to eliminate slums and blighted areas, to realize as soon as feasible the goal of a decent home and a suitable living environment for every American family, and to develop and redevelop communities so as to advance the growth and wealth of the Nation. The Congress further declares that such production is necessary to enable the housing industry to make its full contribution toward an economy of maximum employment, production, and purchasing power. The policy to be followed in attaining the national housing objective hereby established shall be: (1) Private enterprise shall be encouraged to serve as large a part of the total need as it can; (2) governmental assistance shall be utilized where feasible to enable private enterprise to serve more of the total need; and (3) governmental aid to clear slums and provide adequate housing for groups with incomes so low that they cannot otherwise be decently housed in new or existing housing shall be extended only to those localities which estimate their own needs and demonstrate that these needs cannot fully be met through reliance solely upon private enterprise and upon local and State revenues, and without such aid. In order to facilitate orderly and sustained progress in the attainment of the national housing objective, to achieve unified and co-ordinated activity in the execution of the national housing policy hereby established, and to promote efficiency and economy, the main functions of the Government in housing shall be coordinated as provided in this Act.

TITLE II—NATIONAL HOUSING COMMISSION

ESTABLISHMENT

SEC. 201. (a) There is hereby established an agency and instrumentality of the United States, to be known as the "National Housing Commission" (hereinafter called the "Commission") composed of a National Housing Administrator (hereinafter called the "Administrator"), a Coordinating Council, and an administrative staff.

TITLE III—FEDERAL HOME LOAN BANK ADMINISTRATION, FEDERAL HOUSING ADMINISTRATION, AND FEDERAL PUBLIC HOUSING AUTHORITY

SEC. 301. There is hereby created an agency and instrumentality of the United States to be known as the "Federal Home Loan Bank Administration", to be headed by a Federal Home Loan Bank Administrator who shall be appointed by the President, by and with the advice and consent of the Senate, shall hold office for a term of four years, and shall receive compensation at the rate of \$12,000 per annum. . . .

TITLE IV—HOUSING RESEARCH

SEC. 401. To assist in increasing the production of better housing and progressively reducing housing costs, and in making available data on national housing needs, demand, and supply, the National Housing Administrator shall—

(a) Undertake and conduct a program of technical research and studies, the purpose of which shall be to discover, develop, demonstrate, and encourage the commercial application of new and improved techniques, materials, and methods which will stimulate the increased production of housing and permit progressive reductions in housing costs, including operating and maintenance costs, to home builders, home owners, and tenants, consistent with sound standards. Such research and studies may be concerned with new and improved types of building materials and equipment, improved methods of production, distribution, assembly, and construction, and with the development of sound standards and methods of testing for safety, durability, livability, and health in housing and related neighborhood and community development, and shall include research and studies relating to residential design, housing needs, demand and supply, finance and investment, consumer requirements and prefer-

ences, site planning and utilities, zoning and other laws and codes and regulations, organization of the building industry, and related technical and economic research.

(b) Encourage localities to make studies of their own housing needs and markets, along with surveys and plans for housing and related community development, including desirable patterns of land use and community growth, and provide, where requested and needed by the localities, technical advice and guidance in the making of such studies, surveys, and plans.

SEC. 402. Such research and studies shall, where feasible, draw upon or be undertaken cooperatively with other agencies of Federal, State, or local governments, and the Administrator may disseminate the results of research and studies undertaken pursuant to this title in such form as may be most useful to industry and to the general public.

SEC. 403. There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this title.

TITLE VI—HOME OWNERSHIP AND RENTAL HOUSING FOR FAMILIES OF LOWER INCOME

SEC. 601. This title is not designed to supplant or alter any of the existing systems of mortgage insurance under the National Housing Act, but rather to supplement them with special systems of mortgage insurance for families of lower income who require more favorable terms than such existing systems offer. In providing liberalized forms of consumer credit to reduce the cost and sale or rental price of housing for such families, the policy underlying this title contemplates that this more liberal credit shall be combined with all proper incentives to cost reduction through adoption of appropriate new materials, techniques and methods, and through increased efficiency in production and elimination of unnecessary restrictive practices by all concerned in the complex building industry.

. . . a mortgage with respect to a project to be constructed in a locality or metropolitan area where, as determined by the Administrator, there is a need for new dwellings for families of lower income at rentals comparable to the rentals proposed to be charged for the dwellings in such project (or, in the case of a mortgage with respect to a project of a nonprofit mutual ownership housing corporation the occupancy of which is restricted to members of such corporation, or a project constructed by a nonprofit corporation or-

ganized for the purpose of construction of homes for members of the corporation, at prices, costs or charges comparable to the prices, costs or charges proposed to be charged such members) which without the insurance provided hereby cannot adequately be met by privately financed new dwellings currently produced in such locality or metropolitan area, may involve a principal obligation in an amount which the Administrator finds to be consistent with economic soundness but not exceeding 90 per centum of the amount which the Administrator estimates will be the value of the project when the proposed improvements are completed. . . .

TITLE VII—INSURANCE FOR INVESTMENTS IN RENTAL HOUSING FOR FAMILIES OF MODERATE INCOME

AUTHORITY TO INSURE

SEC. 701. The Administrator is authorized, upon application by the investor, to insure as hereinafter provided, and, prior to the execution of insurance contracts and upon such terms as the Administrator shall prescribe, to make commitments to insure, the minimum annual amortization charge and an annual return on the outstanding investment of such investor in any project which is eligible for insurance as hereinafter provided in an amount (herein called the "insured annual return") equal to such rate of return, not exceeding $2\frac{3}{4}$ per centum per annum, on such outstanding investment as shall be fixed in the insurance contract or in the commitment to insure: *Provided*, That any insurance contract made pursuant to this title shall expire as of the first day of the operating year for which the outstanding investment amounts to not more than 15 per centum of the established investment: *And provided further*, That the aggregate amount of contingent liabilities outstanding at any one time under insurance contracts and commitments to insure made pursuant to this title shall not exceed \$1,000,000,000.

RENTS

SEC. 704. The Administrator shall require that the rents for the dwellings in any project insured under this title shall be established in accordance with a rent schedule approved by the Administrator, and that the investor shall not charge or collect rents for any dwellings in the project in excess of the appropriate rents therefor as shown in the latest rent schedule approved pursuant to this

section. Prior to approving the initial or any subsequent rent schedule pursuant to this section, the Administrator shall find that such schedule affords reasonable assurance that the rents to be established thereunder are (1) not lower than necessary, together with all other income to be derived from or in connection with the project, to produce reasonably stable revenues sufficient to provide for the payment of the operating expenses, the minimum annual amortization charge, and the minimum annual return; and (2) not higher than necessary to meet the need for new dwellings for families of the incomes proposed to be served.

TITLE VIII—LAND ASSEMBLY AND PREPARATION FOR REDEVELOPMENT

GENERAL PURPOSE

SEC. 801. To assist the several States and their political subdivisions in eliminating slums and blighted areas and providing maximum opportunity for the redevelopment by private enterprise of land in such areas, financial aid shall be extended to localities for the assembly, clearance, and preparation of such land for redevelopment as hereinafter provided.

LOCAL DETERMINATIONS AND RESPONSIBILITIES

SEC. 802. Contracts for financial aid shall be made only with a duly authorized local public agency and shall require that—

(1) the redevelopment plan for the project area be approved by the governing body of the locality in which the project is situated, and that such approval include findings that (i) the land in the project area would not be made available for redevelopment without the financial aid to be provided in the contract; (ii) the redevelopment plans for the redevelopment areas in the locality will afford maximum opportunity, consistent with the sound needs of the locality as a whole, for the redevelopment of such areas by private enterprise; and (iii) the redevelopment plan conforms to a general plan for the development of the locality as a whole;

(2) when land acquired or held by the local public agency in connection with the project is sold or leased, the purchasers or lessees shall be obligated (i) to devote such land to the uses specified in the redevelopment plan for the project area; (ii) to begin the building of their improvements on such land within a reasonable time; and (iii) to comply with such other conditions as the Ad-

ministrators find are necessary to carry out the purposes of this title;

(3) there be a feasible method for the temporary relocation of families displaced from the project area, and that there are available or are being provided, in the project area or in other areas not less desirable in regard to public utilities and public and commercial facilities and at rents or prices within the financial means of the families displaced from the project area, decent, safe, and sanitary dwellings equal in number to the number of such displaced families.

TITLE IX—URBAN LOW-RENT HOUSING

LOCAL DETERMINATION OF NEED; TENANCY ONLY BY LOW-INCOME FAMILIES

SEC. 901. The United States Housing Act of 1937, as amended, is hereby amended by adding the following additional subsections to section 15 thereof:

“(6) In recognition that there should be local determination of the need for public low-rent housing, the Authority shall not make any contract for financial assistance pursuant to this title with respect to any urban low-rent housing hereafter initiated unless the local public agency has submitted an analysis of the local housing market demonstrating to the satisfaction of the Authority—

“(i) that there is need for such low-rent housing which cannot be met by private enterprise; and

“(ii) that a gap of at least 20 per centum has been left between the upper rental limits for admission to the proposed low-rent housing and the lowest rents at which private enterprise is providing (through new construction and existing structures) a substantial supply of decent, safe, and sanitary housing; and unless the governing body of the locality involved has approved the provision of such low-rent housing.

“(7) Every contract made pursuant to this title for annual contributions for urban low-rent housing projects hereafter initiated shall provide that a duly authorized official of the local public agency involved shall make periodic written statements to the Authority that an investigation has been made of each family admitted to the low-rent housing project involved during the period covered thereby, and that, on the basis of the report of said investigation, he has found that each such family at the time of its admission (a) lived in an unsafe, insanitary, or over-crowded dwelling or had been

displaced by a slum-clearance or land assembly and clearance project or by off-site elimination in compliance with the equivalent elimination requirement hereof, and (b) had a net family income not exceeding the income limits theretofore fixed by the local public agency (and approved by the Authority) for admission of families of low income to such housing: *Provided*, That the requirement in (a) shall not be applicable in the case of the family of any serviceman or the family of any veteran who has been discharged under conditions other than dishonorable from, or the family of any serviceman who died in, the armed forces of the United States, where application for admission to such housing is made not later than four years after the date of enactment of the National Housing Commission Act.

“(8) Every contract made pursuant to this title for annual contributions for urban low-rent housing projects hereafter initiated shall require that the local public agency make periodic reexaminations of the net incomes of families living in the low-rent housing project involved; and if it is found, upon such reexamination, that the net incomes of any families have increased to a point where they can afford to rent or purchase decent, safe, and sanitary dwellings provided by private enterprise, such families shall be required to move from the project if there are such dwellings available to them within their means and appropriate to their use.”

TITLE X—FARM HOUSING

ASSISTANCE BY THE SECRETARY OF AGRICULTURE

SEC. 1001. (a) The Secretary of Agriculture (hereinafter referred to as the “Secretary”) is authorized, subject to the terms and conditions of this title, to extend financial assistance to owners of farms in the United States and in the Territories of Alaska and Hawaii and in Puerto Rico, to enable them to construct, improve, alter, repair, or replace dwellings and facilities incident to family living on their farms to provide them, their tenants, sharecroppers, and laborers with decent, safe, and sanitary living conditions as specified in this title.

(b) For the purposes of this Act and the Acts amended hereby, the term “farm” shall mean a parcel or parcels of land operated as a single unit which is used for the production of one or more agricultural commodities and which customarily produces such commodities for sale and for home use of a gross annual value of not

less than \$400. The Secretary shall promptly determine whether any parcel or parcels of land constitutes a farm for the purposes of this Act whenever requested to do so by any interested Federal, State, or local public agency, and his determination shall be conclusive.

(c) In order to be eligible for the assistance authorized by paragraph (a), the applicant must show (1) that he is the owner of a farm which is without a decent, safe, and sanitary dwelling and related facilities adequate for himself and his family and necessary resident farm labor, or for the family of the operating tenant, lessee, or sharecropper; (2) that he is without sufficient resources to provide the necessary housing on his own account; and (3) that he is unable to secure the credit necessary for such housing from other sources upon terms and conditions which he could reasonably be expected to fulfill.

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ABBREVIATIONS

- S.o.u. = *Statens offentliga utredningar (Public Investigations of the Government)*
- S.o.s. = *Sveriges officiella statistik (Official Statistics of Sweden)*

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